EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Monday May 8 1989

SUDAN

A land gripped by creeping paralysis

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Israel close to agreement to raise on West Bank bad debt elections

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Israel's coalition government (edged closer to agreeing a plan for elections in the occua weekend of violence which saw 430,000 Palestinians con-fined to their homes. Page 18

Panamanian poli Panamanians voted in controversial elections which have aggravated strained relations with Washington. An unin-vited US delegation flew in to observe the presidential poll. Page 2

US missile rethink; Vernon Walters, new US Ambassador to West Germany, said the US was not against the principle of negotiations

nver short-range nuclear mis-siles in Europe. Page 2 Lebanese shelling Christian areas of Lebanon were shelled during a bom-

bardment that killed seven people and wounded 50, in a major blow to an Arab League ceasefire, Page 18

Satellite turn off Eighty per cent of the British public say they will not instal ... satellite TV dishes. Page 6

Polish pay strike Up to 20,000 strikers occupied Polish copper mines for the third day over fears the anthor-ities will back out of pay rises. agreed with Solidarity.

Amazon meeting Eight South American presi-dents meeting in Manaus, Brazil, agreed on a joint effort to curb destruction of the Amazon rainforest, Page 4 ...

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Armonian morch. More than 70,900 Arminians marched peacefully inrough

World News Business Summary **BCFE** asked provision

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Banque Francaise du Commerce Erierieur (BFCE), the state-castrolled foreign trade bank has been asked by the French Banking Com-mission to increase its bad debt provisions on its foreign loar-matfolio (1945m Parce loan portfolio of \$948m. Page

EUROPEAN Monetary System: The strength of the dollar con-tinued to depress the D-Mark last week. Continued central bank intervention failed to pre-vent the D-Mark falling through key supports levels. The weakness of the W Ger-man unit means that there is little downward pressure on more vulnerable members of the system such as the Dan-ish Erone.

ish krone. The resignation of the Dutch Government failed to have any effect on the guilder, the latter

continued to trade as the second most improved currency from Ecu central rates.

EMS May 5,1989 GRID 2% 000



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ETUnit - ECU Parity Day Position

The chart shows the constraints

The chart shows the constraints on EMS exchange rates. The upper grid based on the sys-tem's vocatest currency, defines the cross rates from which only the Lina may move by more than 2% per cent. The forcer gives our places divergence. From the central rate against the Summerin Currency Unit

Iranian call for terror campaign angers Palestinians

By Andrew Gowers in London and Paul Betts in Paris

EUROPEAN Community countries will this week con-The PLO, which is anxious not to jeopardise the political gains it has made since Mr Yassir Arafat, its chairman, sider a co-ordinated response to the latest controversy surrounding Iran, amid internaformally renounced terrorism tional outrage over an franjan leader'a proposal last week that Palestinians should kill last December, yesterday told Mr Rafsanjani to stop interfer-ing in Palestinian affairs. Other Middle Eastern Westerners in pursuit of their

Westerners in pursuit of their Other Middle Eastern struggle for a homeland. observers said the Iranian But the call from Hojatoles-lam All Akkar Hashemi Raf-sanjani, Speaker of Iran'a Par-liament, for a Palestinian in Tehran rather than a new terror campaign has drawn an arcorr vision draw form the Pales llament, for a Palestinian terror campaign has drawn an angry rejoinder from the Pales-

angry rejoinder from the Pales-icy. tine Liberation Organisation and a sceptical response even from the more radical Palestin-from the more radical Palestin-ian groups.

stitution, including an extension of the president's powers and the abolition of the pre-miership. He has evidently calculated that he needs the sup-port of radical factions in order to achieve this. Mr Rafsanjani, who is also

acting armed forcea commander and the sole contender in presidential elections due in In presidential elections are in August, told a prayer meeting in Tebran on Friday that Pales-tinians should execute five Americans, Britons or Frenchmen for every one of their

number killed in Palestine. He also auggested that Palestin-ians abould hijack alreraft and blow up Western factories to

press their cause.

His remarks have drawn stiff condemnation from the US. Britain and France. Britain accused Iran of incitement to murder, and indicated that it murder, and indicated that it was taking the potential threat seriously by further tightening security at airports. Washing-ton and Paris said that Tehran would be held responsible for any ensuing ects of violence. The British Foreign Office has not yet decided its

has not yet decided its response, but there is little it can do as it has no diplomatic

EC investigates energy tax to save rain forests

By Tim Dickson In Caceres, western Spain

A CONTROVERSIAL plan to raise billions of dollars from an "energy tax" is an option being considered in Brussels to help "energy tax" is an option being considered in Brussels to help save tropical rain forests from in the next few weeks, If, as many now think likely, the idea is formally adopted in the EC it is sure to test the

destruction. The radical idea for a charge on carbon emissions or a "CO levy" is contained in a discussion document likely to be debated by the European Com-mission later this month and is being promoted enthusiastically by Mr Carlo Ripa di Meana, EC Environment Commissioner.

of 0.5 US cents per kwh of 105-sil fuel use would generate \$55.6bn a year for the EC (with users in Germany, the UK and France paying a lion's share). The paper being circulated among senior Brussels officials emphasises the urgency of the situation nointing out that Carbon emissions from fossil fuel burning have been identi-fied as the biggest factor in the "greenhouse effect," the concentration of gases in the atmosphere which has prompted fears that the earth's situation, pointing out that half of all the world's tropical temperature will rise by several degrees over the next 50 forests at the beginning of the

The burning of forests con-tributes directly to the release of CO and destroys trees which would otherwise absorb carbon emissions.

Mr Ripa di Meana made deforestation to the greenclear at a press conference, after an informal meeting of EC environment ministers in bouse effect, and by the loss of genetic material, which may be critical in solving present and future architemer? res at the weekend, that

WHO faces crisis over PLO bid for membership By William Dulifnrce

in Geneva

THE WORLD Health Organisation faces a crisis as it begins it annual assembly today following the refusal by Mr Yassir Arafat, leader of the Palestine Liberation Organisation, to adopt a compromise over PLO membership of the organisation.

organisation. A last-minute appeal in Tunis yesterday from Dr Hiro-shi Nakajima, the organisa-tion's director-general, that the PLO defer for a year its appli-cation for membership of the United Nations agency, was rejected by Mr Arafat. The US has warned that it will immediately cut off its funding if the PLO is allowed to join the organisation, which

to join the organisation, which among other key health pro-grammes is responsible for the

global campaign against AIDS. European diplomats fear that the Palestinians' drive for membership will dasb Middle East peace hopes that were raised in December when Mr Arafat recognised Israel's right to exist, renounced terrorism and opened the way for talks between the US and the PLO in Tunis,

to global environmental issues. The document argues that relatively small "charges" can Mr Thomas Pickering, the US ambassador to the UN, emphasised last week that the membership issue was impor-tant "in terms of the Middle East peace process and where it is going." Dr Nakajima flew to Tunis on Saturday evening with a liminary estimates by officials in Brussels indicate that a levy of 0.5 US cents per kwh of fos-

on Saturday evening with a draft resolution for the World Health Assembly which emerged from his consultations last week with the organ-isation's member states in Geneva and visits to Washington and Rome, where he met Latin American health minis-

century have now been destroyed and that at least 20 ters. The draft resolution is hectares per minute disappear. The EC, it says, is directly affected "by the contribution of understood to have embodied a compromise under which the PLO would postpone its application in return for improved bealth programmes for Pales tinians in the occupied territories.

However, the Palestinian

payments to Mexico before pact on debts

By Peter Riddell, US Editor, In Washington

Monetary Fund may start pay-ing out some of its \$3.6bn loan to Mexico before an agreement is reached between that coun-try and its credit bankers on debt reduction.

Decisions on the pattern of disbursements will be taken by the IMF's executive board at the end of this month or in early June. At the same time the World Bank's board will take final decisions on three adjustment loans for Mexico totalling \$1.5bn. Negotiations between Mexico

and its 15-main creditors were adjourned on Friday for a weekadjourned on Fringy for a week-to allow time for the banks to prepare revised proposals offer-ing less than is being sought — an annual \$40n plus. Mr William Rhodes of Citi-corp, the chairman of the bank advisory committee, said: "We have worked with Mexico for pararal weeks and we pow

several weeks and we how need time to work among our-selves, while the Mexicans ritigra for consultations. Our ward as rapidly as is reason-

THE INTERNATIONAL Treasury under-secretary for international affairs, said at the end of last week that he understood the banks consid-ered Mexico's proposals for debt reduction and new financ-

ing to be "too aggressive." There has been concern that any agreement might fall short of the scale of debt reduction being sought by Mexico and originally envisaged by the US. The US is keen for early decisions and disbursements by the multilateral institu-tions. Mr Mulford said the IMF had "expressed a willingness to go ahead and bring the Mexican programme to the board and consider, when the time comes for that, the first disbursal under the programme." Similarly, he expected to see some flow of funds from the World Bank in the next six

such assistance will be pro-vided will determine the degree of leverage to be applied in reductions of commercial debt and debt service in parallel negotiations with creditor

hanks Another key issue is how far the IMF should disburse funds before agreement on debt reduction is reached between countries and their commercial banks. About a third of the Mexican loan has been made dependent on such an agreement

Both the debtor countries and the commercial banks have been awaiting the deci-sions of the IMF and World Bank on what they will do and the balance between reduc-tions in debt and debt service, in particular the nature of interest support. The IMF executive board

weeks. The discussions on Mexico have become tied in with the two institutions' consideration. Bank board will do so this of how they will participate in the revised debt strategy, hold talks shortly with the launched two months ago by banks and debtor countries. Mr. Nicholas Brady, US Trek. Costa Rica-claims backing on sury Secretary. Detailed deci-

Continued on Page 18 Rival premiers seek new truce for Lebanon; Israelis consider West Bank poli plan, Page 18 IMF may begin loan

Rafsanjani: seeking radical support

ne centre of Arme Yerevan demanding the release of nationalist activists.

French Island action French Prime Minister Michel Rocard pledged his Govern---ment's determination to main-tain peace in New Caledonia. Page 4

Cuit suspect killed

The suspected ringleader of a drug-smuggling voodoo cult. responsible for 15 ritualistic murders, Adolfo de Jesus Constanzo, was killed in a Mexico City gun battle.

Tanker collision

A tanker truck and a minibus. collided head-on, killing 14 peo-ple in south-west Turkey.

Takeshita returns

Japanese Prime Minister Noboru Takeshita, returning to Japan after a five-nation .: south east Asian tour, is to choose e successor and restore his party's flagging popularity. Page 4

Summit delayed

Leaders of a new Arab economic bloc linking Egypt, Iraq, Jordan and North Yemen have postponed their first summit meeting

Safe reactors

All Soviet reactors of the type which exploded at Chernobyl three years ago have been made safe, Moscow nuclear inspectors clauned. Page 10

Labour N-policy

Britain's opposition Labour Party was preparing to abandon its commitment to unilateral nuclear disarmament at the end of a two-year policy review. Page 18

Cambodian peace

The prospect of a Cambodian ceasefire being signed in Bangkok before the next round of peace talks in Paris in July has been raised. Page 4

Barge spill

A barge carrying petrol struck a buoy and spilled 80,000 gallons into the Hudson River. New York.

Chinese protest Student leaders at Peking University said pro-democracy protests would continue for .

another week.

the European Currency Unit (Ecu), itself derived from a bas-leet of European currencies.

ANGLO American Properties. South Africa's largest listed property management com-pany, lifted pre-tax profit by almost one-third. Page 28

FIAT, the Italian car maker; . has reassumed control of the Lancia car franchise in the UK from the Heron Corporation. Page 10

MEDIA Partners Ltd. the Bermuda-based financing vehicle established to purchase nonnewspaper properties from Rupert Murdoch's News Corp, is seeking a film global financ-. ing facility Page 21

HARCOURT Brace Jovanovich US publishing group, reported a sharply higher first-quarter loss. Page 23

MITSUBISHI Finance International is launching an amhi-tious over the counter options service. Page 21

INI, the Spanish public sectorholding consortium, is to increase controlling interest in the aerospace company CASA Page 23

TRANSMANCHE Link, the Anglo-French contractors building the Channel Tunnel, has appointed Jack Lemley, a leading US engineer, chief

KLEINWORT Benson, UK mer-chantbank, had the credit rat-Page 23

TRUSTHOUSE Forte, the UK hotel chain, is planning to open 50 new Travelodge budget

PRERLESS Carpet Canada's Iargest carpet manufacturer, is planning to buy the loss-making Galaxy Carpet Mills of the US in a deal worth \$120m. Page 23

I SAINSBURY, the UK supermarket chain, has introduced a minimum productivity level of 20 items per minute for check-out operators using laser scanning tills. Page 6

GEORGE WIMPEY, the construction group and Britain's second largest housebuilder. has disposed of Wimpey-Dubi-her, a subsidiary making elec-trolytic capacitors. Page 29

PIRELLI group, the Italian tyre manufacturer, has eported 1988 net profits of \$204m. Page 23

CHARTER Builders Inc. Dallas, the US subsidiary of Mowlem International, has been awarded contracts worth more than \$48m. Page 12

Mr David Mulford, the US sions on how, and how much. 4

broker.

forms.

UK oil output near 10 year low

ing to calculations by County NatWest WoodMac, the UK

The Brent system was

knocked out on April 18 after : a gas blast on the Cormorant

Alpha platform, which serves

as a pumping station for a net-work of pipelines in the area

serving nine other nil plat-

By Steven Butler

BRITISH OIL production this month could hit the lowest level in 10 years unless the Brent pipeline system comes into operation earlier than

Monthly average output would slip to 1.5m barrels a day, which is less than British oll consumption, if the Brent system stays out of operation. for the whole month, accord-

executive. Page 29

ing on its US commercial paper lowered by Standard & Poor's, the US credit rating agency.

hotels next year. Page 10.

div. CONTENTS

UNION leaders have approved tional president of the steele landmark four-year wage contract with Bethlehem Steel which makes good the deep workers, said the agreement would "be placed on negotia-ting tables" with three other key steelmakers - Armco, National and Inland - now in cuts in pay taken by the compeny's workforce during the five-year steel crisis. talks with the United Steel-workers union. It is also likely to influence talks with the The deal is likely to set a pattern for the rest of the industry into the 1990s. The United Steelworkers of industry leader, US Steel, where the wage contract America said on Friday that its

expires in 1991. America said of Finaly that its local union presidents, meeting in Pittsburgh, approved the plan which restores wage acales to levels last seen when the US steel market collapsed Mr Williams said: "While this is a very good collective bargaining agreement, it must be remembered that our members have made major wage and benefit sacrifices."

and Bethlehem plunged into loss in 1982. In common with the rest of the industry, the third-largest US steelmaker is workers at the Bethlehem in the throes of a strong recov-Steel's six plants, ery due to protection from wages cut of 8. imports, plant modernisation and the shutting down of old taken in 1986. A 10 in wages in 1982 in steps during th Mr Lynn Williams, interna-. In addition to

cent - in 1990 and 50 cents an hour in 1991; cash payments of \$1,000; profit sharing; the resto-ration of some holidays given up during the crisis and a new training acheme which the company will fund at a rate of \$300,000 a month.

The deal, which has still to be approved by the 20,000 steel-

THE MONDAY INTERVIEW Anatoliis Gorbunovs is in soma ways tha most important man in Latvia. His importance lies in the skill with which he can mediate between nationalists, Fudged issues in Canada ... 18 Communiats and fear-Less Sorting out the dollar puzzle; Problems of ful Russians living satellite TV; ... _18 there. Page 40 Document Processing: Survey 25-28 Justinian: A atrait-jacket for judges and editors - 40 -Wall Street 37-39 Lex 18 Crossword 17 Currencies 35 Lombard . -London . 33-35 13 Editorial Comment UK Gifts 22 40 Monday Page US Bonds .. 22 Money Markets Financial Diary -14 Unit Trusts 30-33 16 Inti-Cepital Markets . 21-23 Observer . 37 Weather 18 Letters . 17 Stock Markets

the 1966 wage cut, the contract provides for wage increases of \$1 an hour - or about 4 per

a, restores a .09 per cent o per cent cut was restored be mid-1980s. making good	ment is consistent with pro- ected rates of inflation and pe- mits employees to share in th future profitability of the com- pany."	uj- I-
	S fears about Fortress Europ	e one trust It's ev But F Noto
Dzone inver's f	future: Changing the climate	4 launched
rom emali pack	terprise culture: Blg prize ages	single-mi managen

Shell has said May 26 is the **Continued on Page 18**

most likely start-up date for

the platform, which was han-dling 472,000 b/d before the

blast, although it has warned

that this could be delayed according to the progress of repair and certification.

Production at 1.5m b/d

would push UK output below

that of Norway for the first

time since 1976.

Union wins pay breakthrough as US steel industry recovers

By James Buchan in New York

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Companies

Companies

Appointments

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Arta-Reviews

Britalo

The deal was broadly in line with Wall Street's expecta-tions. Mr Walt Williams, chairman of Bethlehem Steel, said: "The settlement recognises that sacrifices were made by USWA members in the past two contracts and also that Bethlehem is a company in transition that must continue to control its costs. The agree-

he sees the tropical forest issue as a high priority. Experts in Brussels believe that developed countries, including the EC, will have to pay substantial sums if they wish to exert infinence over

nations such as Brazil. Furthermore, it is the industria-lised world which is largely responsible for current increases in CO in the atmosphere

With leaders of the so-called G7 group of Western nations expected to focus on the prob-

The Community is also mission to the UN in Geneva affected indirectly "by the potential collapse of developsaid yesterday that Mr Arafat had "remained absolutely firm ment efforts locally and regionally, due to environmental disruption, with attendant threats to food snpplies and hence political stability." As the Commission discus-

new commitment of members

raise very large revenues. Pre-

sion paper points out, protect-ing tropical forests, which act as a sort of "carbon sink," is in many cases the most cost-effective method of reducing CO emissions.

Ozone-layer conference, Page 4

on the question of membership" for the newly-declared state of Palestine. "Israel is a member, Palestine is an Arab state and either both should be in or both should be out. If we do not get membership, then we want Israel out," a spokesman said. In the US view, the PLO can-

not claim to be a state because **Continued on Page 18**

Israeli plan for polls, Page 18

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e highly competitive world of unit trusts, it's tough enough to come first with

ven tougher to be the top performer across a group's whole range of trusts. Fidelity has done it.

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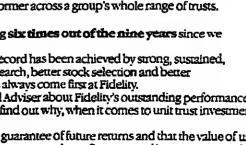
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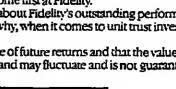
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FT86





OVERSEAS NEWS

Peruvian ruling party MP shot dead By Veronica Baruffati in Lima

A PARLIAMENTARY deputy of Peru's ruling party, the American Popular Revolution-ary Alliance, was assassinated on Saturday nine days after the killing of a United Left dep-

uty. Mr Pablo Li Ormeno was getting into his pick-up truck after visiting his pharmacy in Villa El Salvador on the outskirts of Lima when he was shot three times by two people, who then escaped in tha vehicle

The police said it was not yet possible to determine whether the attack was an act of terror-

There seems to be consensus among politicians, however, that the crime was political. President Alan Garcia cut

short his trip to Brazil and returned to Peru early yester-day to face the rising wave of political crime.

Mr Louis Alva Castro, sec-retary-general of APRA and recently elected the party's candidate for the 1990 presiden-tial election, said: "The time has come to join forces in defence of democracy against terror and violence which have affected Peru for so long."

By Robert Graham in La Paz

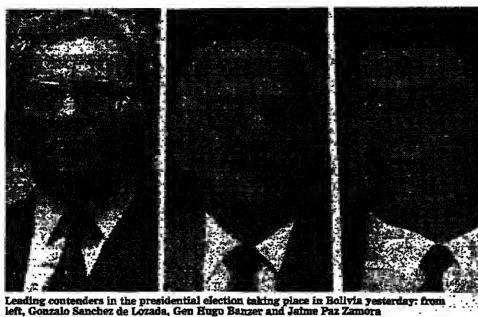
A CLOSE outcome was predicted yesterday as Boli-vians voted for their 77th presi-dent and a new Congress. The elections also promised to be the first tima since 1964 that a constitutionally elected gov-ernment had handed over to an elected successor after running its full four-year term.

The three principal presiden-tial candidates - retired Gen-eral Hugo Banzer of the rightwing Accion Democratica Nacionalista (ADN), Mr Gon-zalo Sanchez de Lozada of the ruling Movimiento Nacional-ista Revolucionario (MNR), and Mr Jaime Paz Zamora of the left-wing Nueva Mayoria (MIR) - all appeared confident as voting proceeded quietly.

The government of President Victor Paz Estenssoro imposed draconian security measures that included a ban on alcohol sales, closure of airports and a virtual ban on all traffic. This, combined with a heavy mili-tary presence, ensured calm. Both 63-year-old Gen Banzer and Mr Paz, 50. were counting on disaffection with the Government's austerity measures. However, Mr Sanchez de Lozada, 59-year-old architect of Bolivia's economic stabilisa-tion over the past four years, was hoping success in tackling hyper-inflation and restoring growth would lead to a renewed vote of confidence in

the MNR.

Of the nine presidential canfraud. But the capital's voting



Bolivian poll outcome in doubt

precincts, mostly in schools, appeared well organised. The capital and surrounding

didates, apart from the main contenders only Mr Carlos Pal-enque, a populist radio station owner, was expected to have regions account for more than any impact. His appeal, how-ever, has been limited to La Paz, where he could steal votes one-third of the 21m registered voters. With a population of nearly 7m, Bolivia has propor-tionately the smallest elector-ate in Latin America. This is from Mr Paz and the MNR. In the election run-up, Mr Palenque claimed the governbecause up to 1m Aymara and Quechua-speaking Indians live in remote areas outside the ment was preparing large-scale

political process.

Voters were also choosing a new 130-seat Chamber of Deputies and a 27-seat Senate. The congressional election could prove significant if none of the presidential candidates secures an absolute majority or a substantial lead. Congress must decide on the next president if no candidate has an absolute majority.

ballot in Panama By Tim Coone In Panama City THERE was a large and enthusiastic turnout as polling

enthusiastic turnout as polling stations opened in Panama yes-terday for the country's gen-eral elections. Twelve parties, 11 of which have formed the two principal opposing alli-ances, are contesting the presi-dency as well as the control of the National Legislature and 585 municipalities.

Voters

queue for

. However, many observers consider the elections a virtual plebiscite on the future of General Manuel Antonio Norieza, the controversial head of the Panamanian Defence Forces. Gen Noriega has been indicted on charges of drug trafficking by two US grand juries.

Many voters were prepared to queue for two to three hours to cast their ballots. Numerous irregularities have occurred. The most com-

mon complaint was that at many polling stations people who had been registered to vote had not appeared on the appropriate list, or had been moved unexpectedly to another polling station. A turnout of between 80 and

90 per cent of the 1.2m regis-tered voters was widely expec-ted.

Baker to test Moscow policy on Middle East

By Peter Alddell, US Editor, in Washington and Quentin Peel in Moscow

and Quentin Peer in Moscow MR James Baker, the US Secretary of State, will this week seek to engage the Soviet Union in an active commit-ment to both the Middle East peace process and to interna-tional efforts to stop the prolif-eration of ballistic missiles. Together with a sizeable State Department team, Mr Baker will hold talks in Moscow on Wednesday and Thursday before reporting back to Nato allies in Brussels on Friday.

back to Nato antes in interest on Friday. A senior State Department official said the overall theme would be "to take an activist approach in trying to test Gen-eral Secretary Gorbachev and the Soviet Union to explore whether there's content in

whether there's content in their new fhinking." The five main agenda topics will be human rights, regional co-operation, arms control, bilateral US-Soviet diplomatic matters, and transnational relations (the environment, including global warming, nar-cotics and terrorism).

The latter three issues - the so-called "fifth basket" in Soviet-American relations have only recently been added to tha agenda for high-level

superpower negotiations. Their addition acknowledges Soviet concern both to enhance the status of world bodies like the UN and to put global eco-logical questions higher on the international agenda. On regional issues, the US is

seeking to test the Soviet Union on such areas as Central America, the Middle East, Cambodia, the Horn of Africa

and Korea. In the Middle East, Mr Baker will depart from the previous arms-length view of any Soviet Union involvement. Instead he will suggest that it can be an active player in the region, "not just by making trips and engaging in slogans, but by exercising an influence with Syria to try and alleviate ten-sions in the area".

The US will also seek Soviet co-operation in building a com-mon information base on the state of missile proliferation. Over time this may be followed by an attempt to engage the Soviet Union in moves towards control of missile proliferation

US opposition to early negotia-tions with the Soviet Union

along the lines of the existing agreement in the Group of Seven industrial countries. In Moscow Mr Baker will also propose a date for the resumption of the strategic arms limitation talks (Start)

arms limitation talks (Start) and for other negotiations such as those on testing. The US side is suggesting a substantial degree of continuity in its posi-tion compared with the Reagan administration. But there will be some modifications; espe-cially in relation to mobile mis-siles, where, President George siles, where President George Bush has recently taken deci-sions on modernisation.

sions on modernisation. The issue of human rights remains the US top priority, in spite of the improvement in the Soviet political climate. Mr Baker will question Mr Ednard Shevardnadze, his Soviet counterpart, on progress towards revising the Soviet penal code, and "decriminalis-ing" political acts. The scepticism of many of the US president's senior advis-ers about Soviet intentious was underlined again yesterday by Mr Dick Cheney, the Defence Secretary.

Secretary. Following his expression of doubts a week ago about whether Mr Gorhachev will survive, Mr Cheney said it was "very important not to fall into the trap of making what may turn out to be unwise assump-tions that somehow Soviet military capabilities will come to reflect the intentions of one man. I don't think we can base policy on whether or not Gorb-achev succeeds or fails.

"There's a real tendency for everybody to assume that because Gorbachev displays peaceful intentions, that some-how reflects what the Soviets are capable of - and that's not true," he argued, stressing Soviet conventional superiority in Europe.

Mr Cheney was also cautious about the possible eventual reunification of Germany. He referred to that as a development "perhaps many years down the road" and as the nat-ural outcome and outgrowth of successful efforts to end the Soviet occupation and oppres-sion of Eastern Europe and of self-determination for the peoples of Germany.

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value of deterrence

Cheney stresses

By Peter Riddell, US Editor, in Washington, Andrew Flaher in Frankfurt and David Goodhart in Bonn

SHORT-RANGE nnclear Both the US and Britain weapons should remain a sig-nificant element of deterrence oppose Bonn's wish for early talks and want Nato to modfor as long as there are US troops in western Europe, Mr Dick Cheney, the US Defence Secretary, insisted yesterday. ernise short-range weapons, mostly sited in Germany. "The Cold War is over, the Iron Curtain is brittle - it is

At the same time, Mr Hans-Dietrich Genscher, the West German Foreign Minister, said decaying," Mr Genscher said. "This is the historical hour in which we are making policy." Now was the time for a com-bined Western answer to the question of how to use changes the Cold War was over and called for a joint Western response to the Eastern bloc's political and economic reforms. Mr Cheney's comments, made in a television interview at the weekend, underline the

in the east to promote more European stability. Mr Genscher said outmoded thinking could be more danger ous than outmoded weapons. over short-range missiles which Washington fears will lead to their elimination. The West has won the Cold War by firmness and steadfast-ness, but also through its He did not, however, rule out negotiations completely, but said "not now." The key emphasis currently should be on the conventional force talks in Vienna he aroust readiness to use even the slightest chance for an improvement in East-West relations."

Mr Vernon Walters, the new US Ambassador to West Ger-many, said in a newspaper on the conventional force talks in Vienna, he argued. Mr Cheney's statement reflects the US view that only when significant progress has been made in reducing the con-ventional imbalance will it be possible to consider action or talks on short-range weapons. This long-term prospect. interview the US was not against the principle of negoti-ations over short-range nuclear missiles in Europe but the this-ing of such negotiations was "decisive" and talks on reducing conventional imbalances This long-term prospect-could form the basis for comshould take priority. • West Germany is considering beats of government summit in Brussels in three weeks. Mr Genscher, in a speech in Stutigart at the opening of an American-German friendship

west Germany is considering contributing troops to UN pea-cekeeping forces, Defence Min-ister Gerhard Stoltenberg sati yesterday, Reuter reports.

Correction Magnus Malan

MR Magnus Malan, the South African Defence Minister, was mistakenly described as a "dismiscakenty described as a "dis-sident" in a caption to a pic-ture that appeared in Friday's paper. The picture should have been of Mr Wynand Malan, an opposition leader.

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week, warned against making talks on short-range missiles, the main issue of the alliance. It would be putting the matter out of all proportion. Leftist Sri Lankan rebels kill 35

Terucas kill 35 Thirty-five people, including a Buddhist monk, were killed in Sri Lanka at the weekend by left-wing Sinhalese rebels, mili-tary sources said yestenday, Reuter reports from Colombo. They said most of the vic-tims were shot dead and their bodies tied to lamp-posts with a note saying: "This is the treatment for trainors". At Matale in the central province, five soldiers and as

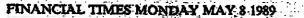
province, five soldiers and a driver were injured when a bus ran over a landmine.

Poles occupy mines

Up to 20,000 strikers occupied four Polish copper mines for the third successive day yester-day over fears that the authorities would back out of pay rises agreed with the Solidarity free trade union, Reuter reports from Warsaw.

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OVERSEAS NEWS

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The second states

Mourners carry aloft the coffin of anti-apartheid campaigner David Webster Spotlight falls again on covert activities in South Africa

By Anthony Robinson in Johannesburg

nation in Johannesburg of Dr David Webster, a prominent academic opponent of apartheid.

While the attempt to procure British missile technology provoked a diplomatic row and a letter of apology from Presi-dent P W Botha to Mrs Thatcher the corrosive effect of . Pretoria'e attempt to secure arms and technology denied it by the 1977 UN arms embargo provoked far less outrage inside South Africa than the murder of Dr Webster. -

His death, from a single shotgun blast fired from a moving. pickup truck occupied by three white men outside his suburban home on May-Day is widely seen as the latest in a long line of unsolved political assassinations and killings by vigilante murder squads, espe-cially in Natal, These have been accompanied by a series of mysterious hut highly professional explosions and burglaries at trade union, church and welfare organisation offices.

A SPOTLIGHT has fallen again According to the Five Freeon the covert activities of Pre-toria after a week which saw the expulsion of six South Afti-cans from Britain and France for their part in a bungled irish terrorists and the assassi-arms deal involving Northern Irish terrorists and the assassi-eation in Johannesbury of Dr almply disapleared or been-abducted from neighbouring states. No one, it adds, has ever been charged for any of

these crimes. The list includes many detained prisoners who, at their inquests, were found to have slipped on bars of soap, fallen down stairs or jumped out of windows while in police metody. The unset prominent custody. The most prominent victims of such carelessness in detention include Mr. Steve Biko, the black consciousness leader. He died in a Pretoria police cell after an 800-mile. ride naked in the back of a police vehicle suffering from the effects of prolonged "inter-rogation" in Port Elizabeth. Another was Mr Neil Aggett, -a white academic adviser to the fledgling black trade union movement who was found

hanged in his cell in 1981. Dr Webster was a mild-man-nered lacturer in social anthropology at the University of the Witwatersrand in Johannes-burg and a close friend of Neil Aggett. He had just finished

writing a report on clandestine state violence a week before his death. In a key phrase he wrote: "Assassinations have the effect of controlling opposition when all other methods, such as detention or intimidation, hava failed."

He was well known by many of the 30,000 mainly hlack, anti-apartheid activista detained, and mostly released, since the state of emergency was renewed in June 1986.

Many detainees were among the thousands of mourners, of all colours and religions, at his funeral service in Johannes-

burg's St Mary'e Anglican cathedral on Saturday. Mr Adriaan Vlok, the Minis-ter of Law and Order who is in charge of the police, has ordered a full scale inquiry hy the Brixton murder and robbery squad and offered a large reward for evidence leading to the arrest of the culprits.

Although the reputation of tha police, and the Govern-ment's claim to protect "civi-lised standards" is on the line once again, in this case the track proved over the meet track record over the past decade inspires little confidence, especially among antigovernment activists who fear that, with an election looming, another spiral of violence is in the offing.

of personal rift follows Iraqi death By Andrew Gowers, Middle East Editor

Speculation

THE Iraqi leadership appeared to have been thrown off bal-ance at the weekend hy the death of Gen Adnan Khairallah, the country'e Defence Minister and a former key associ-ate of Prasident Saddam Hussein. Iraq has been forced by his

demise to request the post-ponement of a meeting of lead-ers from the four member states of the Arab Co-operation Council set to take place in Egypt on Wednesday. Gen Khairallah's snccessor was named yesterday as General Abdul-Jabbar Shanshal, for-merly minister of state for military affairs. The President announced on

saturday that Gen Khairallah was killed the day before when a helicopter taking him to Bagindad after a tour of Iraq's Bagndad anter a tour of Iraq's northern Kurdish region crashed in a sand storm. But the official explanation failed to curb speculation that his death might have been related to a rift between him and the President which has been evi-dent eince last autump dent since last autumn.

Gen Khairallah, Defance Minister since Octobar 1977, was widely seen as one of the central pillars of Saddam Hussein'e regime and of its eight-year war effort against Iran. As a cousin of the President and brother of his wife, Sajida, he was also an important member of the clans surrounding Saddam, based in the area around the central Iraqi city of Takrit (although Gen Khairallah was

born in Baghdad). An open rift in this inner circle would be without precedent, and would raise concerns about the stability of a regime which continues to revolve almost exclusively around the President.

Gossip abont the Defence Minister, who was also a dep-uty prime minister, began with a row in the President's family last autumn, when Saddam had his own son Uday arrested for the murder of a presidential food-taster in a drunken argument. Gen Khairallah and his sister are believed to have taken Uday's side. Sajida and Uday were temporarily exiled to Geneva; and Gen Khairallah disappeared briefly from view.

Fears of Fortress Europe fading Peter Riddell assesses US attitudes to the single European market fluidity in Eastern Europe and PTIMISM tempered approach has become less stri-

with vigilance was how Mrs Carla Hills, the US Trade Representative, recently characterised the US attitude towards the creation of a single

European market. Yet, as so often in Washington, there is a diversity of views within the Administration and Congress, with varying degrees of qualification from watchfulness to outright alarm.

What has become known as "Europe 92" is now a major issue, at least in the world of issue, at least in the world of policymakers, providing a bonanza for lobbyists and con-ference organisers. Just as the target date of 1992 has pro-vided a focus for decisions in Brussels, so it has concen-trated the minds of both US businessman and politicians businessmen and politicians. Official views have, however,

evolved. Initially, there was alarm - with fears of Fortress Europe, the creation of a strong, protectionist trading bloc. This was fuelled in part by ignorance of what was being planned, but also by the original proposals for reciprocity in financial services which might have placed severe restrictions on the operations of US banks in the Community.

This led to a strong warning last August by Mr Peter McPherson, then deputy Trea-sury Secretary, about possible US reaction. This strand of thinking was

reflected earlier this year in the comments of Mr Robert Mosbacher, the new Commerce Secretary, who hluntly demanded "a seat at the table" in the discussions over new EC regulatione. Thie demand, reflecting the views of some of his officials, was quickly dis-owned hy other memhers of the administration.

Congressional opinion is still generally at this initial worried stage. After visiting Europe with several colleagues recently, Senator Lloyd Bent-sen, the Democratic chairman of the Senate finance committee, which oversees trade pol-icy, warned about "mirror" retaliatory action if the EC raised barriers against the US. His views have been echoed by senior Republican senators, and worry is still being expressed at the regular series of congressional hearings on

the subject. In the last couple of months, however, the administration's

dent and more subtle. This change has reflected two developments - the views being expressed to the administration by leading US business-men; and the administration's continuing foreign policy

Many US businessmen have told the administration that, while they have a number of specific concerns, they see great opportunities within an enlarged market with fewer internal regulations. After all.

Этне

EUROPEAN

MARKET

about a US invasion of Europe

appeared in the 1960s. Sales of US multinationals' affiliate

companies in EC countries are six times higher than direct US

exports to the Community. US

multinationals are also more

likely to have Europe-wide strategies than many local

gronps, which often have a national base of primary importance to their business

operations. The administration's inter-

agency policy review has rec-ommended a compromise

approach, with support for the principle of the creation of a

single market but close moni-

toring to guard against protec-tionist tendencies. On the one

the US's competitive position,

the Commerce Department and

the Trade Representative's office are concerned not only

ahout external barriers hut

also about the trading chal-lenge which a stronger Europe

Security Council staff see the

terms, welcoming the 1992 pro-

moves towards European unity

which the US has encouraged

40 years ago. In a period of

might pose.

with considerable strains inside Nato, a positive virtue is seen in anything which binds western Europe together. One senior administration official closely involved in the

review places 1992 in the con-text of larger changes in US-European relations. He sees less emphasis on security issues and weapons systems, not least given the ability of a wealthy Europe to defend itself, and more focus on the economic side. To him, devel

Many businessmen have said that they see great opportunities within an enlarged market with fewer internal regulations

oping close relations between the US and a post-1992 Europe most big US groups have been established in Europe for a are part of a general process of improving multilateral trading generation or more; Jean-Jac-ones Servan-Schreiber's book Le Défi Américain, warning relations with, for example, Mexico and the Pacific Rim countries, in a manner consistent with the Uruguay trade round.

In practice, these differences of attitude matter less than the greater concentration at present on particular issues rather than generalised alarm. In a major speech last month to the Chicago Council on Foreign Relations, Mrs Hills identified a number of specific problems: • The danger that the EC could manipulate rules on the country of origin of products, and guidelines on the suspension of import duties, to reserve the European market for community producers. • The threat of applying reci-

side, reflecting worries about procity rules to banking and other financial service operations. It had been feared that before US companies could operate within the community, European companies would have to be able to operate on the same basis in the US. Both the US and Japan, On the other side, the State Department and the National unlike Europe, impose legal divisions between banking and securities operations. But earlier this month the Community issne in hroader strategic modified its original proposals, requiring a broad "national cess as a continuation of the treatment" approach, under which overseas concerns are treated on the same basis as since the Marshall Plan days of

domestic ones within a particu-

lar country. This move has been welcomed in Washington. • A harmonisation of plant, animal and human health standards in e wey which restricts trade - not to guard public safety but to limit import com-petition. This is what the US alleges has happened in the dispute over restrictions on the export of American beef treated with growth hormones. Mr Daniel Oliver, the chair-

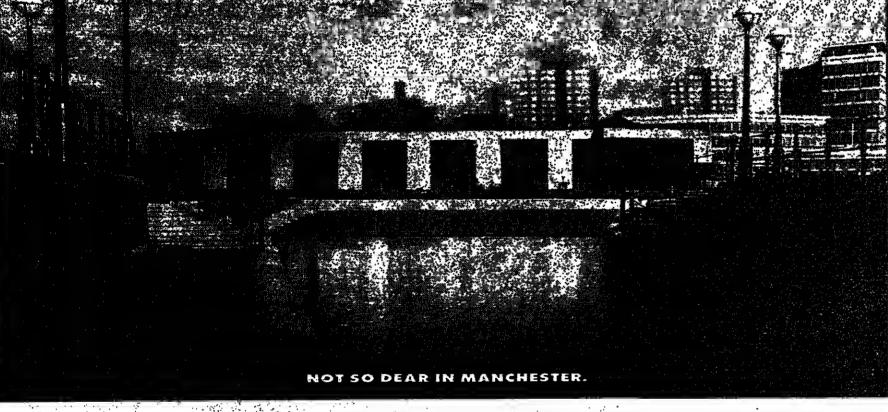
man of the Federal Trade Commission, bas also expressed concern about the application of EC anti-trust and merger policy to US companies, notably in relation to franchising and patent rules. Until recently both business-

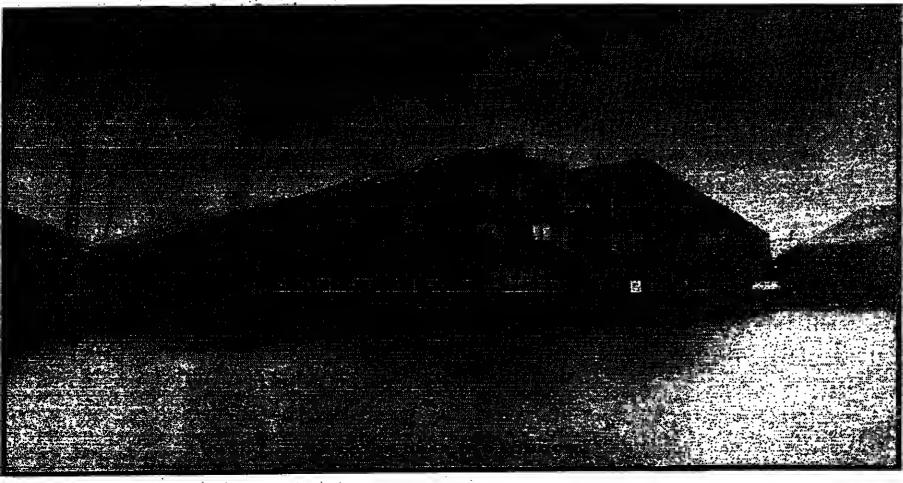
worried ahout wbether the administration has been put-ting forward the US case strongly enough. Mr Bentsen has argued that the number of US trade officials monitoring the EC has been too small. There have been calls for more US input before standards and regulations are settled.

Senior administration officials believe the inter-agency process monitoring the EC is working well, but bave been worried that US concerns have not been fed in coherently at the ministerial level. Consequently, a brief on specific 1992 developments was prepared for Mr James Baker, the US Secretary of State, so he could thank Sir Geoffrey Howe, the Britisb Foreign Secretary, for UK efforts on banking reciprocity. Overall, the US remains

apprehensive about Europe 1992, as well as over more long-standing trade problems such as agricultural subsidies. Mr Alfred Kingon, the retiring US ambassador to the EC. expressed this in an extreme form when he recently argued that "most of the problems you're going to see in trade in the next four or five years are not going to he across the Pacific but across the Atlan-

Few in Washington would go as far as that - and in Con gress Japan is still much more unpopular and regarded as a bigger economic threat to the US than Europe. But many would go along with Mr Kin-gon in believing that it will require "continuous pressure to get them [the Europeans] to write the rules to keep their markets as open as we have OUTS.





DOES IT COST TO RENTON THE WATERSIDE?

There are those who would gladly hell out around £30 per sq. ft, fa frant business space. Those who believe they have no Everyone, though, would sfill agree

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OVERSEAS NEWS

LDP leaders set to decide Takeshita successor today

By Robert Thomson in Tokyo

SENIOR officials of Japan's ruling Liberal Democratic Party hope to settle today the appointment of a successor to Mr Noboru Takesbita. the Prime Minister, who has agreed to resign because of his involvement in the ever-widen-ing Recruit financial scandal.

ing Recruit financial scandal. Party leaders are agreed that Mr Masayos bi Ito, 75, untainted by the scandal and known widely as "Mr Clean", is the most suitable successor, but Mr Ito a former foreign but Mr Ito, a former foreign minister, has so far declined to accept the offer, citing ill-health and advanced age as the reasons.

However, Mr Takeshita, just returned from a nine-day South-East Asian trip, said yesterday that be was ready to make a personal plea to the elder statesman, who is thought by some analysts to be holding out for a political package deal that includes the appointment of younger party members to senior posts.

During a stopover in Peking yesterday. Mr Sosuke Uno, the Japanase Foreign Minister, confirmed to his Chinese coun-terpart, Qian Qichen, that Mr Ito was almost certain to be the next LDP president and the

By Roger Matthews in Bangkok

THE PROSPECT of a Cambodian



Masayoshi Ito: "Mr Clean"

country's new prime minister. LDP officials indicated that regardless of who took the position, the new prime minis-ter would be expected to travel to the US soon after his appointment to attempt to ease the growing trade tension between the two countries.

Cambodia truce 'by July 25'

Meanwhile, a member of the opposition Komei Party – lit-erally, the Clean Government Party – has apparently become the first Japanese par-

Australia hits at EC stabiliser agreement liamentarian interviewed by the Recruit case prosecutors. Mr Katsuya Ikeda, 52, who By Chris Sherwell

resigned as the party's deputy secretary-general after allega-tions concerning Recruit links were made late last year, bas been questioned about purin Sydney

THE Enropean Community's agricultural surplus and bud-get deficit problems will not be solved by last year's com-plicated "stabilisers agree-ment". according to an Australian government report. chases by a relative, of 5,000 cut-price, pre-flotation Recruit Cosmos shares, according to Justice Ministry officials. Until now, the prosecutors have concentrated on inter-viewing bureaucrats and busi-

The 46-page report has been produced by the Australian Bureau of Agricultural and Resource Economics, part of the Primary Industry department in Canberra. The depart-ment is a prime mover in Aus-tralia's campaign for international agricultural reform

The report, published on Fri-day, closely examines the Feb-ruary 1988 package of budget and production stabilisers, which links reductions in support prices with production above specified threshold levels. The arrangements apply to cereals, oilseeds and other farm products.

accepts that the package is an advance on the previous open-ended system of price support under the EC's Com-mon Agricultural Policy. It also acknowledges that the package has temporarily resolved EC hudget problems. But it points out that the

new arrangements are based on administrativa rather than market mechanisms, and says price support will continue at levels far above prevailing international prices. Further, the controls are weakened by the lack of fully hinding expenditure limits and by vari-

After assessing the impact of the stabiliser policy on vari-ous crops and the impediments it faces, the report argues that the package will tend to restrain hnt not reduce production of most major products covered, "with the proba-ble exception of dairy output.

"Any assumption that the stabiliser package is a oncefor-all scale-back in assistance, or that genuine reform has been achieved in EC agriculend

ture, would be misleading". "The stabilisers. . . address the effects of the support sys-tem without changing that system greatly, and they do not necessarily lead to any sig-nificant improvement in the malface costs. welfare costs currently imposed by the CAP within the Community or in the world trading environment in the short to medium ferm."

Changing the climate of opinion John Hunt assesses the ozone-layer conference in Helsinki

A NEW spirit of willing-ness to tackle global environment problems emerged from last week's Hel-sinki conference on the ozone layer, according to Mr Kaj Barlund, Finnish Environment Minister.

In contrast, one sceptical del-egate confided that the meeting of 80 countries under the United Nations Environment Programme (UNEP) had been "all show and no dough." Ha meant that the developed

countries had paid lip-service to the need for more aid to help the Third World tackle the thinning of the ozone layer, but had shown little willingness to put extra cash on the table.

The truth lies between the two versions. Considerable progress was made towards swifter action and better international co-operation to reduce the use of chlorofluorocarbons (CFCs), which deplete the ozone layer. They are used in some aerosols, refrigeration and the manufacture of plastic ble".

The conference was the first meeting of members of the Montreal Protocol, the 1987

the unanimous agreement to speed up the programme for phasing out CFCs. A politically binding declaration to end their use by the turn of the century was swiftly adopted and is expected to be incorported in the Protocol when it

is revised at a further meeting next year. There is every chance that the timetable of phase-out will be speeded up even further at that meeting. even further at that meeting. In fact, many countries are already absed of schedule, including Britain, which will have halved CFC consumption by the end of the year. But the significance of the Helsinki declaration is that it was approved by many-Third World countries who are not mem-here of the Deritoral and have bers of the Protocol and have not given any undertaking till

Not surprisingly, environ-mental organisations, such as Friends of the Earth and Greenpeace, felt the conference the OECD or the World Bank. It was left to the introduction Nicholas Ridley, British Brit-ronment Minister, to voice their fears. He described the proposal as "simplistic", and he pointed to the practical dif-ficulties involved. Who would control it, how would it be administered, what criteria would be used for raising the money? should have moved much faster. They were particularly dis-appointed that it did not take tougher action on halons, used in fire-extinguishers, and other ozone-depleting substances. If was only decided to phase out halons and reduce the other substances "as soon as feasi-

would be used for raising the money? In the opposing camp, a large group of Third World countries, led hy China, pressed for the urgent estab-lishment of the fund. They argue that the highly industri-alised nations created the ozone layer problem by their heavy use of CFCs and it is only just that they should finance the development of alternatives, by the Third The main battle was joined over the proposal to establish a global fund to channel aid from the industrialised countries to help the Third World develop alternatives to CFCs. The fear is that, if countries such as China, India, and Braalternatives by the Third

such as China, India, and Bra-zil develop a large CFC capac-ity, it will undo all that the West is trying to achieve in reducing these substances. On the first day, delegates unexpectedly approved a Finn-ish resolution calling for devel-opment of appropriate funding mechanisms to transfer tech-nology and equipment to the World. Until there is a firm proposal on this, China and other poten-tially big users of CFCs among the developing countries are reluctant to sign the Protocol They suspect that the donor-countries wish to cling to bilat-eral aid programmes because they can attach strings which nology and equipment to the developing world for this pur-pose. Opponents of the fund saw this as an attempt to pres-

give them political influence ent them with a fail accompli-and there were protests about . "a pre-cooked resolution" being rushed through the confarence. From then on, opposition to over the recipients.

From then on, opposition to the find became more appar-ent, although, in the Helsinki atmosphere of "greener than thou" the opponents seem reinclant to come out publicly and voice their opposition. The main aid donor coun-tries, such as Britain, the US. Japan and Germany were cool towards the proposal and pre-ferred to see aid continued through bilateral programmes, or perhaps institutions such as the OECD or the World Bank. It was left to the innepid Mr

FINANCIAL TIMES MONDAY MAY 8 1989

over the recipients A genuine obstacle to a global fund does, havever, arise because the alternatives to CFCs are not in the lands of governments. They are being developed by ICI in Britain and Da Pont in the US. If these companies are to pass on bech-nology or set up plants in the Third World, then licences and patents are involved and they will want a cash return on their investment. ther investment. Another major difficulty is that Dr Mostafa Tolka, UNEP director, and other entimitiasts for a global fund, envisage cov-ering the whole area of climate change and gibbal warning and not just the ozone layer prob-lem. This fits well with Dr Tolba's desire to see a world agreement on measures to deal with the much more intracta-

hle problem of the greenhouse effect.

effect. In the end, there was a com-promise agreement to set up a group to work out proposals "incinding adequate interna-tional funding mechanisms which do not exclude the possi-hility of an international funding fund"

It is clear that the concept will not go away. It will come up again at next year's meet-ing to revise the Protocol and meanwhile, will be raised at other international meetings.

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M. G.

Norway has said that it would donate 0.1 per cent of its GDP annually to a global fund, if others will do likewise. "It would be an enormous fund," said Mr Jan Thompson, of the Norwegian delegation. "But then, the problem itself is ener-BODIS.

EC to step up plans for new 'green' agency By Tim Dickson in Carceres, Spain

PLANS in Brussels for a new described by one senior official described by one senior unital as an important means of get-ting the Community's environ-mental policy into a higher gear — was first promoted by Mr Jacques Delors, the Com-mission President, in his key-note address to the European Parliament in Japarer this European Environmental Agency are likely to be stepped np, following a generally favourable reaction to the idea at a meeting of EC Environ-ment Ministers over the week-Parliament in January this

Some reservations were expressed notably by the Brit-ish Environment Minister, The move also has the Lord Calthness, but most mem-ber states strongly endorsed the view of the EC's Environstrong political backing of France, whose Environment Minister, Mr Brice Lallende, ment Commissioner, Mr Carlo Ripa di Meana, that a Euro-pean co-ordinating body for the even suggested at the weekend that the agency should be given potentially sweeping powers of inspection as part of environment is urgently required. The agency initiative -

EC needs better and more up to date information — the differences emerged over how this, should, be achieved. Ireland, for example, pointed At this stage, however, the

up the apparent paradox of a body designed to be scientifi-cally independent and yet clearly intended to be a tool of the Community. The Commission's idea is

that the agency would be the "nodal centre" of a network of regional and national, public and private facilities, with key tasks, such as monitoring air pollution or water purity devolved. -

devolved. Lord Callhiess said after the meeting that "the question which needs careful study is whether the job can be done with existing institutions or sinchies you really need to cre-ate a new agance".

THE PROSPECT of a Cambodian ceasefire being signed in Bang-kok before the next round of peace talks in Paris on July 25 has been raised by General Cha-tichai Choonhavan, Prime Minis-ter of Thailand, following further talks at the weekend with Mr Hun Sen, the Vietnamese-backed Prime Minister of Cambodia. The response of the Cambodian resistance movement headed by resistance movement headed by Prince Norodom Sihanouk is likely to be made known later today, as the momentum for the settlement of the Cambodian conflict accelerates in response to the Vietnamese pledge of a total troop withdrawal by the end of

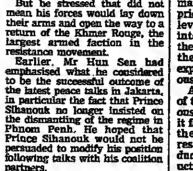
Even if the resistance refused to accept a ceasefire. Mr Hun Sen said that it was possible that the forces under his government's command could unilaterally stop bostilities.

The Thai authorities are said to believe that a ceasefire is crucial to a Vietnamese withdrawal because, without one, Hanoi would always have an excuse for retaining troops in Cambodia.





Before leaving Bangkok, Mr Hun Sen added that the unilat-eral declaration of a ceasefire by his forces would be one way of ensuring that civil war did not



been arrested, but the investi-gators are known to have been looking at parliamentarians with alleged links to Recruit, which attempted to buy influ-ence in the Government and

bureaucracy through generous political donations and share

Justice Ministry officials are reported to have said Mr Ikeda

had been interviewed as a potential witness in the case,

and they indicated that a for-mer Chief Cabinet Secretary. Mr Takao Fujinami, is to be

interviewed about his alleged

connection to 12,000 Recruit Cosmos shares purchased in tha name of one of his secre-

But be stressed that did not

deals.

taries.

Prince Sihanouk meanwhile appears to have dropped his insistence that United Nations troops should monitor the Viet-namese withdrawal.

Following a meeting of the tri-partite resistance movement in Bangkok, a statement suggested balgeon, a statement suggester that an international conference, which would follow the July 25 peace talks, could be left to decide on the precise composi-tion of an international force.

Embattled Barclays hopes to end dispute with irate S Korean staff

erupt again.

foams. In its findings, the report

Protocol.

agreement to halve the use of production of CFCs by the end of the century. In addition to the 46 signatories, it was attended hy over 30 other coun-tries which have not signed the One important advance was

By Maggie Ford in Seoui

ing for a return to peaceful pay oegotiations with staff today, after a week of events which resembled the action in a Keystone Kops movie.

The saga began last Monday, when a 15-day cooling-off period officially ended, and staff declared a strike. Most foreign banks in Seoul have bad difficult pay talks this year, and Barclays is one of the last to settle and the first to have a strike.

Management prepared to move out documents in order to continue providing a skeleton service elsewbere, but were blocked from leaving the back premises by irate staff. After police were called, the managers left.

Two days later, they were tracked down at a major Seoul botel, where bank staff occupied the room and demanded that management restart nego-tilations. Again police inter-vened and the managers were forced to suspend operations.

The beated dispute is reminiscent of a major strike last year at the Seoul branch of Westpac, the Australian bank, where the manager decamped to a hotel after being accused of stamping on wall posters and locking staff in the build-

That strike escalated into a diplomatic incident with accusations of damaged Koreen national pride and wide local was subsequently withdrawn and the strike settled close to the union's terms.

Tha dispute at Barclays the local Korea Merchant

MANAGEMENT at Barclays Bank in South Korea are hop ceably. The bank has offered a pay rise of 37 per cent, plus fringe benefits, close to the average foreign bank rises of around 42 per cent this year.

The banks have been hit by a curious quirk of Sonth Korea's current economic transition from a developing to a developed country. In 1985 it was the world's fourth largest foreign debtor, and a job at a foreign bank was one of the top aspirations for South Kor-ean financial staff, highly paid

and prestigious. In the past two years, how-ever, the boom in the economy and the stock market has boosted pay and placed large capital gains in the pockets of employees of local hanks and securities firms through employee stock plans.

Foreign banks have thus been hit by huge pay claims from staff wanting to maintain their comparable status. The banks' efforts to argue against the claims have not been helped by their profitability, which in the most successful banks is the highest of all Asian branches. Syndicated loan business has been replaced by foreign exchange trading and letters of credit continue to be lucrative. continue to be lucrative. Barclays, which made profit of Won 1.7bn last year, is not among the most profitable, and the anger of the staff may have beeo heightened by uncon-firmed reports that the bank

40 foreign banks are now plan-ning to set up a co-ordinated body to handle sector pay negotiations next year, in the hope of avoiding heated dis-putes et individual banks. Staff unions this year set up a joint body which concen-trated on couplicing you and

a joint body which concen-trated on equalising pay and benefits. This strategy resulted in settlements ranging from 40 per cent at the Bank of Amer-ica, 47 per cent at Lloyds, to 61 per cent at Westpac, and 42 per cent at Standard Chartered. A number of smaller banks settled earlier at less than 20 per cent, but re-opener clauses

per cent, but reopener clauses are likely to boost that figure to the average, when the pay

round is over. Foreign bankers are now trying to devise methods of taking advantage of the economic boom to give benefits to their staff without causing the present rise in costs. The problem is worsened by a shortage of trained financial staff, leading to job-swapping at high rates of pay and subsequent staff. entment

It was probably inevitable that at least one bank would experience a confrontation this year during the pay talks. But as managers become more familiar with South Korean negotiating tactics, progress is being made.

The challenge now for the foreign banks will be to rede-fine their role, to remain profit-able in a different environment from their of the part may be planning to withdraw from South Korea. Barclays is reported to have offered its 25 per cent stake in from that of the past.

Warrants

to subscribe up to ¥12,985,000,000 for shares of common stock of

ARABIAN OIL CO., LTD.

NOTICE TO THE WARRANTHOLDERS

Pursuant to Clause 4(C) of the Instrument relating to the above-captioned Warrants and Condition 7 of the Terms and Conditions of the Warrants, notice is hereby given that:

2. Accordingly, the Subscription Price (as defined in Condition 2(A) of the Terms and

be limited, and the level of budgetary assitance will be likely to increase over time, the report says. The ideal solu-Banking Corporation for sale. It recently set up a representa-tive office of Barclays de Zoete tion lies in reducing EC sup-port prices, hnt "there are major difficulties in obtaining Wedd Securities. Managers at the more than 40 foreign banks are now plan-

The net effect will there

Community agreement on this course of policy action". The Canharra findings appear to tally with conclu-sions contained in a recently-multished report by Agra published report by Agra Europe, the independent agri-cultural agency. This argued that the stabiliser policy would fall to contain EC production in the longer term.

Rise in Opec oil production By Steven Butler

OIL production hy the Organisation of Petroleum Exporting Countries lest month rose to 20.5m barrels a day, 2m h/d higher than the Opec production celling agreed last November, according to the International Enargy Agency monthly report.

Opec production rose hy 700,000 b/d during the month, with all major producars above quota. The rise in Opec production, however, was par-tially offset by reduced pro-duction in Alaska and the North Sec

North Sea. Oll consumption in the developed countries rose by 16 per cent in the first quarter of tha year, or 600,000 h/d, compared to the same period of 1988. Much of the increase was accounted for by strong economic growth in Japan. European consumption rose by 15 per cent 1.6 per cent.

NOTICE TO HOLDERS OF

THE BANK OF TOKYO, LTD.

U.S. \$100,000,000 1% per cent. Convertible Bonds Due 2962 (the "2092 Bonds")

U.S. \$100,000.000 3% per cent. Convertible Bonds Dos 2004 (the "2004 Bonds")

S America summit agrees to save Amazon rainforest

By James Barham in Sao Paulo

Peru, Surinam, Venezuela and Brazil signed the Declaration EIGHT Sonth American presidents meeting in Manaus, Brazil, at the weekend agreed on a joint effort to curb destruction of the Amazon of Amazonia, committing them to co-ordinate policies in the region. rainforest and encourage "rational exploitation" of the Ecologically-sound development will be overseen by an Integration Institute of Amazoregion's resources. This is the first time heads nian Nations. The eight are to. of state of the Amazon region have met to discuss the forest'e convene once a year to review progress. Brazil says only 5 per cent of its forest has been future since the 1978 Amazon Co-operation Treaty was signed in Manaus. The leaders have reacted destroyed over 28 years. The World Bank says one eighth of the forest has been lost. angrily to outside pressure, but President Jose Samey of Brezil The presidents also demanded a reduction in their admitted the pressure "helped foreign debt burden, But Presito create a consciousness on the need to preserve nature".

dent Sarney again rejected "debt-for-nature swaps", which The summit ended yesterday when the presidents of Bolivia, Colombia, Ecuador, Guyana, would reduce the foreign debt and provide finds for preserv-ing the rainforest.

Paris stands firm on plans for New Caledonia's future By Paul Betts in Paris

territory's new local govern-

ment system when the current direct rule from Paris ends on

July 14. The new regional assemblies are designed to improve co-existence in the ter-

ittory between the pro-Franch European "Caldoches" settlers and the Melanesian commu-nity, by providing limited autonomy for each ethnic

RIOUD.

THE French Government intends to apply "scrupa-lously" the terms and timetable of the new constitutional process for New Caledonia, despite the assassination of the two Melanesian leaders who played key roles in last year's peace negotiations in the French Pacific territory. Mr Michsl Rocard, the French prime minister, con-firmed yesterday that local

Although the French govern-ment appears firmly resolved to put into effect the New Caleelections would take place as planned on June 11 in New Caledonia. Next month's elec-tions constitute the first step donian agreements negotiated last year, it has not disguised its preoccupations since the deaths of the two FLNKS lead. in the 10-year process which will ultimately lead to the ref-erendum on self-determination in the territory in 1998.

ers over the future of the terri-tory and the risk of a new outburst of extremist violence. Mr Jacques Lafleur, the Gaullist Mr Rocard had initially considered postponing the local elections next month. But after Jacques Lalleur, the Gaullist leader of the pro-French com-munity who negotiated the new constitutional agreements with Mr Tjibaou last year, asked yesterday with some anxiety who would now be his opposite number in the Mels-nesian camp elections next month. But after spending 12 hours in New Cale-donia to attend the funeral yes-tarday of Mr Jean-Marie Tji-baou and Mr Yeiwene Yeiwene, the two leaders of the FLNES Melanesian independence party, who were killed last Thursday by a separatist extremist, Mr Rocard announced that the elections would go ahead as scheduled and that the new constitu-tional arangements negotiated Indeed, the FLNKS now faces the difficult task of find-ing a successor for Mr Tjibaou, the president of the Melanesian

independence party. as well as tional arangements negotiated last year would be "scrupu-lously" followed. for Mr Yeiwene, the party a vice president. The assassinations risk renewing the splits between moderates and extremists opposed to last year's peace

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New Caledonians will vote next month for three new opposed to regional assemblies. These will agreements become the centre pieces of the movement. agreements in the FLNKS

Costa Rica claims backing on 'debt-for-nature' swaps

By Nancy Dunne in Washington

Commission envisages, a body with more modest aims. As Mr Ripa di Meana sees it, its pri-mary tasks would be to provide

mary tasks would be to provide the commission and member states with "objective informa-tion" on which to base policies, to develop and apply the tech-niques of environmental mod-elling and forecasting, and to help with the preparation and implementation of Community legislation.

All Ministers agreed that the

DR ALVARO Umana, Costa Rica's Minister of Natural Resources, claimed new sup-port in Washington for a provided by conservation proposal to expand "debt-for-nature" swaps as a means to-retire Latin American debt trees

while funding environmental projects in the region. In talks last week with senstots, congressmen, and US aid and World Bank officials, Dr Umana pressed for inclusion of the swaps in the Brady plan for the swaps in the Brady plan for debtor countries and for direct US funding for swaps. He plans to meet Treasury officials soon. Costa Rica has taken the leadership in the effort to con-vert debt into productive investment for the environ-ment Four completed grams

ment. Four completed swaps, totalling \$75m, with funding

organisations, have retired 5 per cent of his nation's debt. With the new funds from the debt, Dr Umana said the government has bought thousands of acres of land for conserva-tion, and planted thousands of

trees. He has asked officials of the. US Agency for International Bevelopment to provide bilat-eral assistance for further swaps. He said Mr Alan Woods, USAID administrator, had

responded favourably. The minister said he was try-ing to persuade the Bratilian government to reverse its pol-icy of refusing "debt-for-nature" swaps, and urged support for e regional programme to boost electricity efficiency.

SHIPPING REPORT VLCC rates strengthen as. tanker market keeps up By Rachel Johnson

THE tanker market was still buoyant last week daspite Goldan Week in Japan, Easter Week in Greece and Ascension Day holdays in most European

countries. Very large crude carrier (VLCC) rates strengthened slightly, with 240,000 tons of crude off being shipped from the Middle East Gulf to Talwan at New Worldscale 42.

Charterers were able to cover at NWS 40, although owners were generally resis-tant to such a level - the majority wanted a minimum kyei of 42.5.

The shipbrokers Galbraith's attributed this confidence on

the part of owners to period husiness levels still being arranged at rates that made spot market rates appear ridic-ulously low.

Galbraith's predicts an inter-esting week because the nam-ber of spot VLCCs is dwindling. On paper there are only about six or seven awaiting

cargo.

The Cormorant-Alpha plat-form in the North Sea is still out of action.

Several pieces of business have been concluded off the market in this section, and rates collapsed to about NWS 975 97.5.

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WORLD	ECONOR	IC IND	ICATO	25
FOREIGN	EXCHANG	RESER	ES (USS	m)
US UK W. Germany, Japan Belgkan Notherlands Italy	Mar, '89 20,298 38,771 50,139 92,739 9,368 14,437 35,534	Feb. 89 19,306 40,746 50,660 91,981 7,955 14,368 34,219	Jac. '89 18,324 40,213 49,934 91,223 7,878 14,039 \$3,137	Mar. '88 11.579 38.300 53.324 76.905 7.913 13.696 27,489
France	Jan. '89 22,117	Dec.'88 22,359	Nov. 88 23,257	Jan, '88 31,513
				_

Sth May, 1989

share on 29th April, 1989, Tokyo time.

Subscription Price before adjustment:

Subscription Price after adjustment: Effective date of the adjustment:

ARABIAN OIL CO., LTD. 2-3, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan

29th April, 1989, Tokyo time

¥6.612.00

¥6.553.00

(the "2004 Bonds") Pursuant to Condition 6(C) of the Terms and Conditions of the above-mentioned Bonds, natice is hereby given as follows: 1. At the measing on 3rd April, 1989 and and 10th April, 1983, the Board of Directors of the Board resulted is sone 50,000,000 new shares of its Common Stock. 2. Accordingly, the Conversion Price of the Bonds will be adjusted effective as of 1st May, 1989. The conversion price is effect intro to sone adjustment is Yee 1543,70 per alares of Common Stock for the 2002 Bonds and Yee 1.752,00 per share of Common Stock. For the 2004 Bonds. The adjusted conversion price will be Yan 1.541:30 per share of Cantinon Stock for the 2002 Bonds and Yee 1.771.590 per share of Common Stock for the 2004 Bonds. 1. Pursuant to the resolution of the general meeting of shareholders of Arabian Oll Company, Ltd. (the "Company") held on 30th March, 1989, 490,964 additional shares of common stock of the Company were issued at the issue price of \$500 per Conditions of the Warrants) has been adjusted pursuant to (Jamse 3(vi) of the Instrument and Condition 7(c) of the Terms and Conditions of the Warrants, as set

THE BANK OF TOKYO, LTD.

By: The Bank of Tokyo Trust Company on Principal Paying Agent

Dated: May 8, 1989



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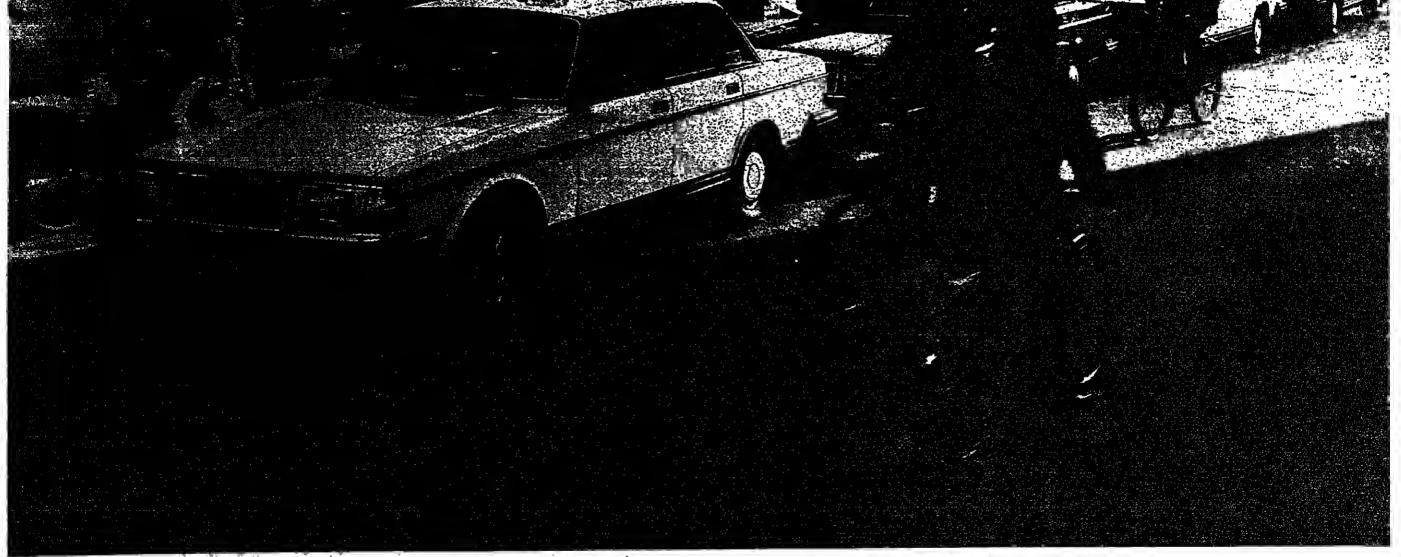












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GE Information Services

of the public and private sec-tors in Britain will begin to bite this morning when railway services throughout the south east of England are expected to face severe disrup-tion as a result of unofficial action by train drivers over a ray dispute. The other disputes range from the electricity supply industry to the British Broad-Ja, wir sind an EDI interessiert und bitten um

casting Corporation and mark the most serious upturn in industrial conflict since the end of the 1984-85 miners' strike. Hundreds of thonsands of

DISPUTES spanning key areas

By Charles Leadbeater, Labour Editor

The National Union of Rail-waymen is expected to return to court this week to argue against an injunction granted to London Underground last week, which prevented the union going ahead with a plan for an all-out strike by about 12,000 staff. It is thought there may be some unofficial action. despite the official delay to the strike. commuter journeys to London are likely to be disrupted as more than 6,000 train drivers in two British Rail regions Elsewhere, leaders of 76,000 electricity industry manual workers will start collating a ballot on industrial action over begin a two-week, unofficial ban on overtime and rest day a 7 per cent pay offer. Union leaders are due to meet the employers for further talks on Thursday, when the pay offer may be raised to 7.5 per cent, the level of the recent

working. With overtime running at 30 per cent among Southern Region drivers, services into Victoria and Waterloo are likely to be worst hit. The ban on rest day working is likely to mean that the action will have a cumulative affect, with

ing workers will meet on Wednesday to decide which mounting driver shortages. London Underground train drivers are also expected to

Sainsbury uses laser-scanning tills to monitor productivity

settlement in the gas industry. Leaders of 800,000 engineer-

By John Gapper, Labour Correspondent

J.SAINSBURY, supermarket grocery chain, has introduced a minimum productivity level of 20 items per minute for check-out opera-tors using new laser-scanning tills. The tills have enabled it to monitor work-rates more

precisely. The move is one of the first indications that Electronic Point of Sale (Epos) equipment, which is spreading across mul-tiple retail stores, will be used to control labour productivity as well as adjust stock levels.

Retail employers have traditionally found it more difficult. than manufacturing companies to monitor productivity precisely.

The change raises the possi-bility of individual pay being linked more closely to output.

Ms Carole Creed, a worker at the weekly productivity levels within stores. In one region, rates have been found to vary the store and a member of the Usdaw national executive, said local managers had also put up a sign listing the 25 fastest between 22 items a minute and check-out operators during the week and encouraging others

UK NEWS

Rail disruption may begin

stage an unofficial one-day strike this week in protest at plans to extend the use of driv-

The Metropolitan Police last night advised commuters not to travel in by car as there were no plans to lift car park-

ing restrictions. The National Union of Raif-

wave of industrial unrest

er-only trains.

The company said the rate of 20 items per minite had been chosen after monitoring stores as "a comfortable average" for The sign had now been, taken down but she believed a minimum productivity, rate-was unfair because operators were being paid according to a standard houring to a operators, Some operators had been checking items through tills at more than 30 items a. standard hourly rate. It was also encouraging competition It said there was no question

of operators being disciplined for failing to reach 20 items a minute, but that new operators . who did not achieve the rate between operators: during a six-week induction period would be "asked" to transfer to other duties.

between operators: Epos. equipment, which has been installed in more than 200 Sainsbury stores, has enabled some employers to cut staff numbers. However, Sainsbury says it has used the productiv-ity saving to increase the mon-ity saving to increase the mon-In one Sainsbury store in Waithamstow, Esser, one oper-ator is said by the distributive trades union Usdaw to have ber of staff in other areas. Sainsbury said it had no plans to move towards individ-Sainsbury is now monitoring been told that she could face, not only individual productiv- disciplinary action if she failed ity of check-out operators but to achieve 20 items a minute. pans to more covering to prove , ductivity

Satellite TV rejected by 80 per cent of public, survey says

FINANCIAL TIMES MONDAY MAY 8 1989

By Raymond Snoddy

federation of Shipbuilding and Engineering Union's claim for a shorter working week. The TGWU's general work-ers union's 9,400 registered dock workers are due to start balloting on a national strike for a national agreement to-replace the statutory National Docks Labour Scheme, which will be abolished this summer. Associated British Ports. the largest registered port EIGHTY PER CENT of the British public say they have no intention of installing satellite intention of installing satellite television receiving equipment and fewer than one in 20 show any intention of buying a dish. The continuing bleak out-look for satellite televi-sion - at least at this moment - is underlined in the second monthly Financial Times satel-lite monitor market research, based on interviews with more than 4,000 adults in April. The work, conducted by Ken-

Associated British Ports, the largest registered port employer, may this week apply for an injunction to prevent the ballot going ahead. Meanwhile, union leaders, representing about 18,000 staffs, at the BBC are planning a 48-hour strike over the corpora-tion's 6 per cent pay offer. The The work, conducted by Ken-nington Research, suggests that installations were low hour strike over the corpora-tion's 6-per cent pay offer. The Union of Communication Workers is due to meet the Post Office on Thursday for last-ditch pay talks covering 15,000 counter staff. Leaders of more than half a

Leaders of more than main a million white-collar local gov-ernment staff will meet employers for pay talks today over a 6 per cent offer which-includes plans for more flexible working pratices. Both sides believe an industrial action ballot is incritible if they can. ballot is inevitable if they can-

inington Research, suggests that installations were low throughout Anril with no sign of a surge of consumer interest. three months after the launch of Mr. Rupert Murdoch's four channels of Sky Television. "Our best estimate is that by the end of April the total num-ber of homes in Britain able to receive television with their own dishes had reached 31,000, an increase of only just over 20,000 on the March figure. Suit Mr John Clemens, manag-ing director of Kennington. Because the number of dishes located in such a simple is so small - four old dishes of more than 1 metre diameter and eight of the new 60 centi-meter dishes aiméd at the medium-power. Astra satellin, which carries Sky Television - Mr Clemens said the margin of statistical error was proba-bly plus or minus 20,000 homes.

Kennington Research said it was confident, however, that the true number of homes with

was confident, however, that the true number of homes with, diahes now lay somewhere, between 60,000 and 100,000, or between 0.3 per cent and 0.5 per cent of all homes. Households saying they will definitely install satellite dishes is moving m. but not framatically: 4.7 per cent in April, compared with 3.7 per cent in March, and 3.5 per cent in February, while those say-ing they will probably install a dish have moved up from 14.1 per cent in February to 15.7 per cent, or 3.3m homes in April. The interviews, took place before Sky Television launched its blavision advertising cam-paign on May 1.27 also covers the period when British Satel-line Broadcasting, the satellite consortium in which Pearson (publishers of the Financial Times), has a shine, was run-thing an advertising campaign of period when British Satel-lite Broadcasting, the satellite consortium in which Pearson (publishers of the Financial Times), has a shine, was run-thing an advertising campaign of period when the financial trying to perioadle consumers to wait unit in state covers.

til its three channels et in St

not agree a deal at a meeth planned for May 17. companies to select for strike ballots in support of the Con-

minute

SUCCESS IN THE

Investment has flowed into Grangemouth, one of the U.K.'s principal petro-chemical complexes, since the early 1920's.

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National divide 'worsened Strategy for training to by investment scheme? be published By Ian Hamilton Fazey, Northern Correspondent

every year By Charles Leadbeater, Labour Editor THE GOVERNMENT plans to

issue a three-year national training strategy each year in July, to provide an overall framework for local, employer-led Training and Enterprise Councils which are intended to take over responsibility for The scheme allows private individuals top-rate tax relief on equity stakes in growing designing and delivering pub-licly-funded training profinance directly. grammes. The councils will be expec-ted to use the national strategy as one of the starting points for

as one of the starting points for their annual planning. The national training statement will include details of the pub-lic money available for train-ing, and set overall priorities for training in different areas. The decision to publish a national training strategy will help to allay criticisms that the Government's plans to devolve responsibility to the councils could fragment training provi-sion. south-east of England Both new research by Mr Colin Mason of Southampton University and Mr Richard Harrison of the University of Ulster at Jordanstown, shows a marked and increasing concen-tration of BES investments in tration of BES investments in the south-east and East Anglia. sion. The move is disclosed in a

confidential draft of the Oper-ating Handbook for the councils. It shows that the Govern ment's initial plan for establishing about 100 councils over the next four years has been scaled down to 80. Each council will have

board of directors mainly maile up of private sector employers. They will be provided with a budget of about £25m a year to fund training for young people the adult unemployed, and enterprise development. The Government's plans

have been criticised by several employer bodies. Most recently the Confederation of British Industry gave a warning that business leaders would not be attracted to serve on the com-cils unless they were given much greater flexibility over spending and staffing. The handbook discloses two

significant measures of flexibil-ity have been introduced into the plans.

A council will be eligible for a £500,000 bomus if it provides training of particularly high quality. The bonus could be used to fund training for employees as well as the unem-

ployed. The handbook says conneils, which will mainly be staffed by Department of Employment civil servants, will be free to refuse to recognise civil service trade unions.

THE BUSINESS Expansion Scheme (BES), introduced in 1983 to encourage private BES and that the rules should be amended to encourage more BES and that the rules should be amended to encourage more BES funds to be set up locally in Britain's peripheral regions. A limit of \$500,000 per BES issue per year imposed by Mr Nigel Lawson, the Chancellor. of the Exchequer, in the 1988. Budget will be the set of t investment in growing small businesses, has reinforced and worsened north-south divisions in Britain - the opposite of what was intended - accord-ing to new research into the way the scheme has worked.

Budget will not have much effect they add This was specifically designed to encourage more

businesses. They can invest via managed BES funds or through investment outside the south-east, but the region had SS2 investments worth under prospectus issues by small businesses .. raising their 2500,000 in its first five years out of a national total of 712. Demand at this level is likely to continue, even though busi-nesses wanting more than 2500,000 — the south-east had The aim of the scheme was to create a new source of risk capital which would help redress the over-concentration of venture capital funds and investments in London and the 141 of the 225 national total in. the first five years - can no longer use the BES to raise it.

The researchers say: "In terms of its geographical impact the BES is reinforcing the economic advantages of southern England and discrim-inating against the economical-ly-lagging regions of northern Britain."

So far, the large majority of dishes installed bave been in skilled working class homes, the Cas of market research, and this group and professional and managerial workers, the ABs, seem the most inclined towards satellite television.

The channels did not seem to be effectively targeting any social class at the moment, Mr

Clemens said: Geographically, London has a small lead in "definite integ-tions" (6.8 per cent), but the "North of England has the greatest reservoir of interest. Keinington Research believes that its estimate last year - that ha cathlate has year - that there would be a total of 500,000 dishes installed after one year of satellite tele-vision in February 1990 - still

looks a fair forecast. The estimate depends on a successful BSB launch and continued heavy promotion for satellite television in the run-up to Christmas.

run-up to Christmas. Bla April, Kennington Research, on behalf of the Financial Times, interviewed by telephone 4,031 individuals aged 15 and over. The sample was weighted by age, social class, sex and tenare to be rep-resentative of the total popula-tion of Britain. Lex, Page 18

PACIFIC SECURITIES LIMITED U.S. \$130,000,000 Floating Rate Notes Due 2002

(the "Notes")

Notice is hereby given that, as a result of arrangements concluded between the Trustee and the holders of 100 per cent. of the Notes, the Terms and Conditions of the Notes and the Trust Deed constituting the Notes have been modified. Copies of the modified Terms and Conditions and the modified Trust Deed are available for inspection at the offices of the paying agents listed below and at the main office of Banque Internationale & Luxembourg S.A. in Luxembourg. It should be noted that the Terms and Conditions of the Notes prior to the modification provided

that certain provisions to the Terms and Conditions and the Trust Deed were not capable of modification. By virtue of the arrangements between the Trustee and the holders of 100 per cent. of the Notes, these entrenched provisions have been modified and the entrenchment provision itself has

MORGAN CUARANTY TRUST COMPANY OF NEW YORK, (Frincipal Paying Agent)

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Swiss Bank Corporation Basle

8th May, 1989

They say that there is a drift

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BUT HE'S SEWING UP A DEAL IN MANHATTAN.

"I've just seen this season's collections." "Always first with the inside info. So were we right?"

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UK NEWS

Brewers foam at 'threat' to the nation's 1,000 beers Economist sees Lisa Wood examines industry reactions to the report from the Monopolies and Mergers Commission

HE END of the tradi-tional Britisb puh is nigh - if the Brewers' Society, which represents most hrewers, is to be believed.

The society's high-profile advertising campaign, thought to cost up to £5m, is designed to convince the public that traditional drinking habits would be threatened if the Government adopted controversial proposals from the Monopolies and Mergers Commissioo. The campaign has been suspended pending further talks with the Department of Trade sod

But the brewers still believe But the brewers still believe the Commission's ideas - and Lord Young, the Industry Sec-retary, has said he will oot ignore the report – the result could be as disastrous to pubs as Dissolution was to medieval monasteries.

Rural pubs could be sold off as private homes, hrewers large and small might give up brewing and the beer drinker could have less choice, accord-ing to the society.

Opposition to the commission's report - which con-cluded that ownership of pubs by brewers restricted competitioo and ofteo limited consumer choice - was expected from the Brewers' Society, which speot more than two years seeking to persuade the commission that all was

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well with the status quo. Less predictable has been the wide body of hostile opinion from hig brewers, smaller regional ones and consumer

The six leading brewers, • The six leading brewers, which produce 75 per cent of Britain's beer and have 75 per cect of tied houses, oppose the recommendation that no brewer should be able to own more than 2,000 pubs. These hrewers — including Bass, Whitbread, Allied-Lyons and Grand Metropolitan — 0007 Grand Metropolitan - own many more than that. The regiocal hrewers.

whose pubs are more heavily tenanted than the big brewers', feel threatened by the recom-mendation that tenants should be given protection under the Landlord and Tenant Act 1954. This, they argue, would pre-vent them exercising control over their own pubs. • Tenants, who sell their owners' beers in return for reduced rents, fear they could be given notice to quit before legislation

whereby brewers give free



Devid Thompson: for cash a competitive marketplace

houses low-interest loans in return for selling their beers. The National Licensed Victual-The National Licensed Victual-lers Association says: "If pubs are going to be sold off and licensees want to buy them, then the cheapest and easiest way of financing the pub is the brewer's loan."

is passed, with brewers introd-ucing more managed houses. • Consumer groups, including the Campaign For Real Ale (Camra), have indicated strong They also believe that the proposed introductioo of ooe "guest" draught beer into their support for some of the recom-mendations. But Camra claims pubs will mean rents will that one monopoly could increase to compensate for lost sales of the brewer's brands. replace another if the Govern-ment does not impose a ceiling • The free on-licensed trade, of 2,000 on the number of pubs in particular clubs, is opposed to the abolitioo of the loan tie, a company can own. Camra says: "It is clear that under the present proposals some of the

AT SHERATON LITTLE THINGS MEAN A LOT · AT SHERATON LITTLE THINGS MEAN A LOT · AT SHERATON LITTLE THINGS MEAN A LOT ·

hig six hrewers will sell their brewing plants so as to retain all their ontlets. These pure retailers would have no limits on growth."

Camra, along with some companies including Wolver-hampton & Dudley Breweries and Greenall Whitley, the largest regional brewer, have already made submissions to Lord Young, who has said he is "minded" to accept the MMC's recommendation Last week the Brewers' Soci-

ety's advertisemeots described hy one regional brewer as megaphone tactics - led Lord Young to say that if brewers did oot like the proposals they should come np with their own. He insisted: "Whatever solu-

tions you propose must remedy the facts that the report revealed. We cannot allow restrictions in choice and distortions in the market such as those found by the MMC to continue." It is unlikely, according to City analysts, that the report's principles will be negotiable, although detail might be changed.

A radical shake-up of the UK brewing industry can therefore be expected. But the result will probably not be the ntopia the commission envisaged, with a greater choice of beers, sold at reduced prices by tenants partly liberated from the tie. City analysts argue that

BAYSWATER

some tenants may be unable to afford the new rents on properties in the more idyllic areas of Britain and that - just as the Brewers Society predicts - the pubs could be sold off as weekend retreats.

The flaw in the commission's scenario could prove to be its belief that the hig brewers, faced by the 2,000 pub ceiling, would sell their excess pubs -bringing an estimated 22,000 pubs on to the market. The reality is that retailing

is where profits have been showing strongest growth for brewers. Larger companies might opt to sell their brewing divisions or float them as separate companies and concen-trate on building pub chains. Foreign brewers, whose brands are brewed under licence by many British brewers, are tipped as likely purchasers of

the brewing operations. It seems unlikely therefore that many pubs will come on to the market. Instead, larger which would find the heavily advertised hrands of the big brewing concerns particularly attractive Camra comments: "The

retail chains would not guarantee tha survival of a wide range of beers, since they might choose to go down the route of selling a small range of nationally-promoted drinks at competitive prices."

Many of Britain's 1,000-odd heer brands are unlikely to survive – some weak brands, particularly among regional brewers, have been retained only through the tie. "Guest" beers might take away sales

beers might take away sales and these operations would then become ineconomical. However, Mr David Thomp-son, managing director of Wol-verhampton & Dudley Brew-eries, who gives qualified support to the proposed reforms, says brewers should not complain of thousands of job losses. "Why should the consumer pay for inefficient beer production?" he said. Mr Thompson, like a number of the Sodd resional howers.

Mr Thompson, like a number of the 50-odd regional hrevers, including Greehe King and Marston Thompson & Evershed, is fortunate in hav-ing strong brands which could benefit by being taken on by pub tenants of other breweries as guest heers. He forecasts a competitive marketplace — bad news for brewers' wholesale margins — but does not believe retail

but does not believe retail

once the strike was over because imports would rebound more than exports. prices will come down. But it is claimed that consumers are increasingly willing to pay more in a fashionable pub for drinks which are parebound more than exports. Depending on the length of the strike and the timing of its ending. Britain could face a monthly current account defi-cit of £3bn after it finished, compared with last October's record £2.38bn current account about all ceived to be of premium qual-ity. The commission, the brewers argue, failed to understand that the important determinant is what people are willing to pay for a product.

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AT SHERATON LITTLE THINGS MEAN A LOT

limited threat from dock strike

FINANCIAL TIMES MONDAY MAY 8 1989

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By Peter Norman, Economics Correspondent

Britain's registered dock workers will be voting on strike action this week, with the ontcome of the ballot expected around May 19. A national dock strike would make directly control to the ballot NATIONAL strike by Britain's 9,400 registered dock workers would only disrupt between 20 and 30 per cent of the country's exports and imports and could result in a imports and could result in a temporary improvement in the UK current account balance of payments, according to a report from Goldman Sachs, the US-owned investment bank apply directly only in the 40 British commercial ports that are members of the dock lahour scheme. Those now handle less than 50 per cent of

handle less man 50 get cent of British trade by value. Dover and Felixstowe, Britain's two largest ports, are outside the dock labour scheme, as are 34 other com-mercial ports. bank. Mr David Walton, an econe-mist in Goldman Sachs' Lon-don office, said that Britain's monthly trade balance could improve by around 2500m for the duration of a strike because British imports in the inst quarter of this year were 28 per cent higher in value. than exports. He warned that most of the improvement would unwind

mercial ports. According to Mr Walton, Dover and Pelinstowe together accounted for 27.6 per cent of UK imports and 25.7 per cent of exports by value in 1987. This was almost half the trade pass-ing through the country's 10 largest ports that year. During the 1989s the amount of trade passing through non-scheme ports has increased much more quickly than that passing through those in the dock labour scheme. Mr Wai-ten argues that trade through dock labour scheme. Mr Wal-ten argues that trade through the non-scheme ports would be largely unaffected by a national dock strike. Earlier dock strikes, such as the two staged in the summer of 1984, failed to attract sup-port in the non-scheme ports.

shortfall. Overall, however, the impact of a strike on the 1989 current account deficit should be fairly small. Although a dock strike is unlikely to be good for sentiport in the non-scheme ports where the employers could use the law to deter picketing by ment, it should pose no threat registered dockers. : Employment, Page 10 to the British economy, Mr Walton said.

London City Airways will open hourly Paris service

London City Airways said

LONDON CITY Airways is to its other services to Amster-start hourly flights to Paris dam and Brussels, each of which is served by four flights daily.

tany. Expansion of services from London City Airport to Paris has come after an announce-ment from John Mowlem, the construction company which owns the airport, that it will shortly submit a planning application to London Dock-lands Development Corporation to extend the runway enabling the airport to take jet airliners, such as the British Aerospace 146, with 100-seat capacity.

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John Mowlem wants to extend the runway from the

At Sheraton, we go

By Lynton McLain

from London City Airport In. Docklands from May 15, with six return flights daily, against the present four daily return

Brymon Airways, the only competitor to London City Air-ways, has seven flights a day to Paris from the airport. Brymon is to announce a second weekday route from London City Airport in the next few weeks. It will not yet name the destination. Brymon already serves Jersey and Guernsey at weekends.

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out of our way to look after our guests.

One rainy evening (in London, where else?) the Front Office Manager at the Sheraton Park Tower decided to become a Taxi Driver.

As everyone knows, you can never get a taxi when you really want one — a fact of life our Porter and a number of guests were being reminded of that evening.

So our Manager stepped in and offered lifts to the guests. Two accepted. Instead of driving straight home to Putney (in the south-west of London, across the Thames), she took one guest to Covent Garden (east of the West End) and another to Bayswater (north of Hyde Park), neither exactly en route.

In every Sheraton we work to a motto: "Little things mean a lot," exemplified in this case by a temporary change of job that helped two guests to keep dry, and keep their appointments.

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NOTICE TO BONDHOLDERS

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UK NEWS

Midlands power station is third shelved by CEGB

By Maurice Samuelson

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PLANS to build a fl.sbn coal-fired power station at West Burton in Nottinghamshire have been shelved indefinitely. It may never be built as a result of the electricity indus-try's reorganisation.

Proposals for two other power stations - at Fawley in Hampshire and Kingsnorth in Kent - have already been set aside with little hope of them heing built before the next cen-tury and possibly not even

then. All three have in effect been cancelled although the Central Electricity Generating Board last year let contracts for the design of their bollers and turdesign of their bullers and tur-bines. The boiler contracts, worth about 230m in total, are being completed by Northern Engineering Industries, while the less costly turbine designs are being handled by General Electric Compared

Electric Company. National Power, the larger of the two power station compa-nies to be carved from the CEGB, is still officially com-mitted to the West Burton project after privatisation. An application to build it is still on the desk of Mr Cecil Parkin

the the Energy Secretary. However, together with the other two cal station projects, it has been rendered uncommercial because of the refusal. of the area distribution boards

DO-IT-YCURSELF retailers are

suffering a period of sluggish sales. Bu this does not herald

the end if growth for the sub-

sector, sys a report from Mor-gan Statey, the stockbroker.

The port argues that the conventional wisdom about

DIY realling is wrong. Many believe that the rapid growth of the large DIY chains will

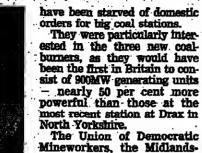
result in saturation of the mar-

ket in a few years, with price wars ad declining profits.

By Magle Urry



Lord Marshall: delicate task at union conference



the project was put on ice.

business.

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West Burton as a political reward for its members' defi-ance in 1984-85 of the strike called by the National Union of

to place the necessary long-term orders for power after privatisation.

Instead, the area boards prefer new generating capacity in the first period after privatisa-tion to consist of smaller, mainly gas fired, plants, of which nearly 20 have been proposed over the past year by independent companies, the area boards themselves and the CEGB's two successor gen-

erating companies. The fate of the West Burton project will cause disappointment but little surprise to British power plant manufacturers, who, for more than a decade

Sluggish DIY sales 'will revive'

Morgan: Stanley says this

action has fizzled out. It attri-butes dull sales growth to the slowdown in house purchases

and the squeeze or consumer spending. Further shead it pre-dicts revived expansion for the \$7fm DIY market, which it says

is still immature. The broker argues that there is significant latent demand for



By Alan Pike, Social

'urged' to

accept plan

for hospitals

receive "expressions of inter-est" from potential self-governbased miners' union, will also be disheartened. It regarded the promise of a new station at ing hospitals. The names of those hospitals will be sent to Mr Kenneth Clarke, Health Secretary, this month, and the Government plans to establish the first self-governing hospital trusts in 1991.

Mineworkers. Lord Marshall, the CEGB chairman, will have the delitrusts in 1991. The trusts - one of the pro-posals in tha white paper, Working for Patients - would remain in the National Health Service but would have wide freedom to manage their own affairs. Community and other groups, as well as managers or medical staff, are entitled to propose hospitals for selfcate task of confirming its bleak prospects whan he attends next month's UDM annual conferenca at Wey-mouth. Lord Marshall is also chairman-designate of National Power, the higger of the CEGB successor companies, which would have ordered and operpropose hospitals for self-government and Mr Clarke will ated West Burton station. make the final decision. National Power has already

Mr Paddy Ross, chairman of the BMA's Central Committee formally withdrawn its applica-tion for the 1,800MW coal birner at Fawley, Hampshire. At Kingsnorth, PowerGen, the for Hospital Medical Services, which represents consultants, said pressure was coming from hospital managers who feared that no declaration of interest rival generating company, decided not to go ahead and in self-government would mean no cash. But consultants saw no cash. But consultants saw self-government as a major threat to health service provi-sion in a locality and to the overall spread of well-trained hospital doctors. A meeting of the central committee last week also

profitably -- only exists in a expressed concern about the effect which self-gevernment could have on the future of medical education and research. It called for urgent discussions with the Government but said these must cover "the fundamental principles as well as the details of imple-

Staff at Guy's, the London teaching hospital, have expressed an interest in self-government but a state-ment from a group of senior medical staff, including five professors, says suggestions that there is general enthusi-asm for the move, or for the wider principles behind the white paper, gave an inaccu-rate representation.

Consultants Party tries to curb old obsessions Philip Stephens starts a series on Labour's two-year policy review

HE LAST year has been the easy part for the Labour Party's eco-KEY ELEMENTS IN PROPOSED ECONOMIC STRATEGY

nomic strategists. Surging interest rates and inflation, a dramatic widening in the trade deficit, and the prospect of a

prolonged squeeze on personal incomes have made the Gov-erament a relatively soft tar-The real test for Mr Neil Kinnock will start only this week, when his party completes its alternative strategy for govern-ment - the fruits of a two-year policy review on which it is besing its hopes for the next general election.

Central to that strategy will be Labour's plans for the economy, which, along with its defence policy, will probably decide whether the "new" Labour Party fashioned out of the defeat of 1987 has any real

chance of electoral success. Labour will no longer be able to rely on attacking the Government but will have to defend its own policies against what the Conservatives are already promising will be a sustained and sharp counter-

offensive. The two key economic docu-ments, dealing with economic and industrial policy and with taration and benefits will be finalised today at the start of a two-day special meeting of the party's National Executive

Committe Their principal authors – Mr Brian Gould, the trade and industry spokesman, and Mr John Smith, the shadow chancellor - expect only the slight-est amendments to the drafts circulating in recent weeks.

Those drafts make two things clear. Labour wants first to be seen as having dumped its ideological bag-

the allegedly shallow and dog-matic policies of Thatcherism in the 1980s. The Conservatives, the analysis runs, have squandered Britain's oil wealth by bribing

the electorate with an unsustainable consumer boom. Neglecting education, research and development, and invest-ment, they have left Britain defenceless to face intensifying competitive pressures in the next decade. Labour says it will offer an economic and industrial strategy which will set education,

• New system of income tax bands running "below 20 per cent" to maximum 50 per cent. Allowances to be replaced by special "zero rate" band. Full equality in tax treatment of men and women.

• National Insurance Contributions to be overhanled, turning present lower threshold into an allowance, removing ceiling on contributions and extending them to unearned income. Effec-tive top rate of income tax and NICs becomes 59 per cent

• Crackdown on tax loopholes, with introduc-tion of US-style limits on total tax allowances for high-paid. Mortgage interest relief limited to basic rate of tax.

• Minimum wage to be set at half average earnings with nitimate target of two-thirds of average. Link between pensions and earnings to be restored.

• New system of tax incentives and grants to

training and investment as the controls on their total allowances, and by higher taxes on capital transfers and gains. key priorities. Additional con-sumption, save for the poorest sectors in society, will have to The industrial strategy for-mulated by Mr Gould's group is aimed at changing the "culwait.

The quest for respectability has meant the party's tradi-tional obsession with stimulatture" of industry: reversing the traditional "short-termism" ing demand in the economy with a combination of sticks and its commitments to state ownership and punitive taxaand carrots in a new corporate tax system designed to stimution of the rich have been late investment, training and dropped or watered down. In their place are what Mr research

Gould calls a policy of supply-side socialism and Mr Smith terms a strategy of fair taxa-tion. The talk now is not of A Department of Trade and Industry, and the establishment of a series of national, regional and techno-logical investment banks overriding the market but of intervening in areas of market would "complement" the marfailure. ket. Alongside them, a Labour government would introducer

Both policy documents are also suitably sprinkled with warnings that a Labour Government would be firm on inflation, and that changes in taxation and increases in public spending would be closely attuned to economic realities

Mr Smith proposes a progres-sive income tax system which, investigate price increases. he says, would leave the tax review includes a commitment burden on most people more or less unchanged but would to membership of the European Monetary Systems' exchange rate mechanism but only when Britain's partners divert resources from the wealthy to the poor. The loware ready to negotiate away the "deflationary" bias of the est rate would be "below 20 per cent" - code for 15 per cent and the highest 50 per cent. system.

Overail, Labont policy-makers are publicly optimistic that the two documents will Squeezing the rich for the sake of ideology is ruled out, although the proposed changes in National Insurance Contriprovide the basis to restore the butions would give an effective party's credibility as one which top rate of 59 per cent, combinthe electorate can trust to run the economy. The problem is that Conser-vative leaders are equally optiing tax and national insurance. Those on the highest incomes would also be hit by tighter

encourage industrial investment in new equipment and research and development with spe-cial emphasis on high technology. Tax levy on companies which do not undertake training.

9

• British Telecom and water snpply to be returned to state control. Initial commitment only to tighter regulation of other privatised monopolies.

• Establishment of National Investment Bank to raise funds for long-term investment, along-side series of regional banks and new British Technology Enterprise. Plan for national fibre-optic telecommunications network.

Reversal of onus of proof in takeover and mergers to show that they are in national inter-est. Strengthened powers for Monopolies and Mergers Commission over prices.

Commitment to full British European Mone-. tary System subject to agreement on economic strategy with rest of Community.

n enhanced role for the

tighter controls on mergers

and acquisitions. Direct wage and price controls are ruled

out, but the Monopolies and

Mergers Commission would be

given greater anthority to

As regards Europe, the

mistic that they will be able to unpick and the new strategy to reveal simply a "repackaging" of old, failed policies. It is not hard to see where

the attacks will be concentrated. There are enough gaps in the tax policy to ensure the charge that Labour remains the party of high and punitive taxation and, crucially, that those on middle incomes as well as the rich will suffer. The absence from the document of the income levels at which the new tax rates between 15 and 50 per cent would apply will bolster the Tory attack.

Conservative strategists will also be using their calculators to come np with an estimate of the public spending implica-tions of Labour's promises. Their costings will assert that Labour remains set on an unsustainable spending spree which will force up taxes and

In parallel, Mr Gould's indus-trial strategy will be portrayed as a throwback to the "failed" interventionist policies pur-sued by the then Mr Harold Wilson in the 1960s.

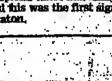
None of the charges will be easy to rebut. Two, albeit lengtby and detailed, documents are unlikely to restore Labour's image overnight. Even if the party has dumped much of the baggage which lost it votes in 1987, its hopes for credibility will also depend on the Government failing to restore the country's economic fortunes in the run-up to the next election.

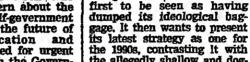
Tomorrow: defence

few places. It reckons that correctly sited new stores can make a high return on investment and that there is room for a further 500 or 600 superstores, an increase of around 60 per cent. As the market become more competitive, the report argues, DIY retailers will have to do mentation.' more to differentiate themsalves from one another, segmenting the market and concentrating on areas such as home decoration, repair and improvement or the builders' merchant type of

Why The DIY Market Is Not Saturated. £250 from Morgan Stanley, 1a Wimpole Street, London W1M 7AA.

A the large Dir chains with is significant taken the mark in result in saturation of the mark. DIY goods waiting to ba bit goods waiting to ba unlocked through growth in home ownership levels, increased kistire time, greater regresive marketing tactics confidence in doing DIY, and parking to ba the significant taken the mark in the bit goods waiting to ba unlocked through growth in home ownership levels, increased kistire time, greater confidence in doing DIY, and aggresive marketing tactics was parked by B & Q, the larges DIY retailer, launching a discount card. possibly, Sunday opening. Morgan Stanley's analysis of the numbers of DIY super-Other DIY stores responded. stores already open suggests that saturation - where there with special offers and analysts feared this was the first sign of are too many stores in an area saturaton, to allow another one to operate







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or becoming complacent, our engineers are spurred on to even greater efforts.

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blend which is impossible to better. But rest assured, we're working on it. JAGUAR

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UK NEWS

CBI backs Ford modernises engine production campaign

By Kevin Done, Motor induatry Correspondent

FORD bas begun volnme production of a new generation two-litre petrol engine at its Dagenham plant, east of Lon-don, as part of an ambitious modernisation of its entire European engine and transmis-Sion programme.

10

Ford has invested £157m in manufacturing equipment and technology for the new engine, which will be fitted in both the Sierra and Granada/Scorpio car ranges. It is planning to pro-duce around 250,000 units a year of the new DOHC (double overbaad camshaft) engine, with more than 90 per cent of output being exported to Ford assembly plants in Belgium and West Germany.

The Ford Granada/Scorpio is assamhled at Ford's Cologne plant, while the Sierra is assembled at both Dagenham and Genk in Belgium. Earlier this yaar, bowever, Ford

announced that its entire Sierra production was to be concentrated at Genk, with a transfer of production from Dagenham over the next year. The two-litre DOHC engine, the first twin-cam engine to be built in volume by Ford, is designed to improve the performance of the company's larger cars and it is expected that both multi-valve (16-valve) and turbo versions will be introway catalyst. duced later. The new engine, the develop-

ment of which was announced in 1985, was scheduled to go into production in 1987, but its introduction has been delayed, not least by the changing environmant surrounding emissions legislation.

for use in the Ford Ploo pickup and Transit panel van ranges. Ford insisted that the new DOHC engine had a life expec-The engine has been designed as part of Ford's move towards so-called lean tancy of at least 10 years. Ear-lier speculation had suggested that the DOHC engine would hurn power units, aimed at be short-lived, because it had reducing noxious emissions

been technically overtaken by the new 1.4-2.0 fitre multi-valve engine family. That will be pro-duced at Bridgend. Sooth Wales, from mid-1991 as part of a ST35 minute multi-there without tha use of expensive catalytic converters. Tougher emissions regulations recently proposed by the European Parliament and the European Commission would a £725m investment there.

European Commission would make it necessary for all new cars to equipped with catalytic converters in the early 1990s, however, and Ford said the new engine had also been designed for use with a three-Design and development of the engine has cost about 250m, with the balance of the £157m investment devoted to equipping what Ford claims is "one of the world's most advanced manufacturing facili-ties." Some 18. robots are employed in the machining and assembly operations, along The new engine replaces the current two-litre SOHC (single overhead camshaft) engine in the Sierra and Granada ranges, with computer-controlled monhut this SOHC unit will con-tinue in production at Cologne ftoring and inspection.

Ahont 96 per cent of the DOHC components are to be single sourced to a much small number of suppliers than before, while so-called "just-in-time" delivery has been intro-duced to reduce inventory and maintain frequent stock deliveries.

nearly two-thirds contributed by its vehicle divisions. It is

for rethink on pensions By David Barchard

THE CONFEDERATION of British Industry has thrown its weight behind a campaign in the pensions industry to persuade Mr Nigel Lawson, the Chancellor, to rethink changes in content of the persuade of the persuade in pension rules proposed in his Budget.

Government has been told by its chief nuclear inspector. Mr Eddy Ryder has relayed to ministers this assurance from his opposite number hi Moscow, Mr Vadim Malyshev, chairman of the state commit-tee for tha supervision of nuclear power safety. Phblic acceptance has replaced the RBMK as the his-

Public acceptance has replaced the RBMK as the big-gest worry of tha Soviet nuclear industry, although it is nulikely that more RBMKs will be ordered, Mr Ryder said. Three major modifications have been made to the Soviet-designed RBMK to eliminate the design flaw held directly responsible ... "he explosion, known as a positive void coeffi-The proposals follow attacks on Mr Lawson at the annual meeting of the National Association of Pension Funds, where the Chancellur was where the Chancellur was accused of undermining the security of retired people. Tha CBI is particularly unhappy at a proposal to place a ceiling of £60,000 on earn-ings eligible for pension con-tributions tax relief from June known as a positive void coeffi-By David Churchill, Leisure Industries Correspondent

1. The change will not apply to inembers of current schemes. That change could make it That change could make it harder for companies to recruit top-level staff because they might forfait pension ben-effits if they changed jobs. The CBI wants the limit on earnings eligibility to be set initially at £100,000 and any

increases to be linked to eam ings, rather than prices as the Chancellor is proposing. The CBI adds that changes should take effect from April 1990 at the earliest, rather

than applying, retrospectively from June this year after the Finance Bill becomes law. Another proposal to which the CBI objects is imposition of a ceiling of £9,000 a year on

all pension contributions alongside the existing ceiling of 15 per cent of earnings.

TRUSTHOUSE Forte, Britain's as Happy Eater and Harvester restaura A typical Travelodge hotal has some 30-40 rooms each of which can accommodate two

Chernobyl-style reactors are

being made safe, says Moscow

cient. They are changes to the reactor control system, a faster reactor shutdown mechanism, and a naw fuel. Takan together, they removed the flaw which allowed the Cher-

nobyl reactor to run away, Mr Ryder said. The Russians have also dem-

onstrated tha prototype of a

still faster ehntdown system, taking only two or three sec-ands, compared with 12 sec-onds for the modified RBMRs.

Mr Ryder headed a team of British nuclear inspectors

which recently visited the Beloyarsk nuclear station in tha Soviet Union, with a 600MW demonstration fast reactor as well as an RBMK.

double or family occupancy. No extra charge is made for children occupying their parents'.room

By David Fishlock, Science Editor

ALL SOVIET reactors of the type which exploded at Char-nobyl three years ago, the RBMK, have been made safe or are now being modified, the Government has been told by

. The hotels are sited on into the budget hotel sector is being challenged by several US and Continental hotel groups. motorways or major. roads, often close to service stations and other THF operations such

However, the authorities were rejecting foreign offers of help to monitor the health of people exposed to Chernobyl'e radiation. Mr. Peter. Walker; Energy Secretary at the time of the Chernobyl accident, paved the way for exchange visits of nuclear inspectors, and Mr THF plans more budget hotels

> Holiday Inn International, Marriott and Quality Interna-tional all have plats for budget hotel chains in the UK as does the French hotel company Aconr.

Malyshev made his first visit to Britain last year.

Mr Ryder said public criti-cism of nuclear powar was making it difficult to find sites for new reactors of the

for new reactors of the pressurised-water type. What was claimed to be a "more forgiving" design of PWR, intended for the dual role of electricity and district heating at Gorky, was debated so hotly the anthorities had called in the International Atomic Engine Assence in

Atomic Energy Agency in Vienna to assess its safety. After Chernobyl, the Soviet public was reluctant to trust its own nuclear experts and officials, but paid more heed to

foreign experts, Mr Ryder said.

A recent report from the English Tourist Epard dis-closed that some 40m was spent on development of budget hotels in England during the second half of hst year. The board said the sctor was flourishing because it was fil-ing, "an as yet unsatisfied gap in the accommodation market

in this country." It suggested that demand was being fuelled by the popu-larity of short-break holidays in hotels operating some price per room policy, "irrespective of the number of occupants."

Thatcher's measures **help** rich

By Peter Norman, Economics Correspondent

THE RICH and the working population in Britain have done much better out of tax and benefit changes during Mis Margaret Thatcher's 10 years as Prime Minister than the poor and those not if work, according to an independent report published today.

2

-2

The Institute for Fiscal Studies says British households are £7 a v

Cookson has a way with ceramics

Fiat regains Heron's Lancia car franchise

cent

a goal

By John Griffiths

FIAT has reassumed control of tha Lancia car franchise in the UK from Mr Gerald Ronson's Heron Corporation. It is plan-ning early action to boost Lancla's UK sales, which lag far behind those in almost all other European markets.

An agreement under which Fiat Auto (UK), a wholly-owned subsidiary of the Italian vehicle maker, has taken con-trol of Heron subsidiary Lancar was completed last week, for an undisclosed sum, after several months of negotiations. It was signed a few bours after Fiat had moved into new head-qoarters at Slough, Berksbire, which will also house Lancia operations.

Only 10 of the 40 staff at Lancar's Crawley, West Sussex, headquarters are joining Fiat's work force at Slough. Mr Peter Quagila, managing

years. However, Fiat execu-tives make clear that the goal is to bring Lancia's UK sales much closer to the European six years ago. average. Last year Lancia had a 2 per cent share of the total West European new car market. Although its share of the Italian market is disproportionately large, at 9.64 per cent last year, its share of the UK mar-

director of Fiat Auto (UK) and

now overall controller of Lan-

cia activities in the UK, said

the company would seek to expand sales, mainly through

improvements in both the quality and size of Lancia's

"The quality of the dealer

. Fiat is refusing to disclose any specific sales targets for the UK over tha next few

dealer network.

In unit terms this repre-sented 4,072 sales out of Lanwall advanced. with tha renewal of virtually the entire cia's total of 210.000. Mr Quaglia left little room for doubt about Fist's intention Fiat, Lancia and Alfa Romeo Car ranges. Against this background, Mr Quaglia said that Fiat expected to deploy whatever resources

ket last year was only 0.18 per

might be needed to meet such to substantially increase advertising spending on Lancia in the UK this year, while the dealer network is to be expan-That will be made possible by the transformation in the fortunes of Fiat, Italy's largest private industrial group and the owner of Alfa Romeo as ded over the next few years from the current 90 to between 120 and 130.

well as Lancia, since the UK franchise was sold to Lancar Dealers are expected to hene-fit from new model launches which, Fiat hopes; will lift At the time, Fiat was strug-gling with heavy losses and the consequencas of undersales by at least 20 per cent over the coming year. These include a revised Thems execuinvestment in the form of an outdated model range. By last tive saloon in two weeks, revised Y10 and Delta Integrale year, however, the Turin-based hatchbacks in summer and the group was reporting record operating profits of £1.6bn, all-new Dedra upper-medium, saloon at the end of the year.

end during the official opening of the 50th Travelodge hotel.at Burnley in Lancashire by Mr John Lee, the Minister for

kets

By Anthony Moreton, Weish Correspondent companies in every 10 think they will actually take on workers over the next few FEARS that some of the

> position of the small business sector, especially start-ups." The single most important

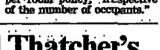
mouths.

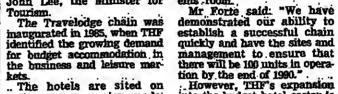
sparkle surrounding business confidence in South Wales may have worn off emerge from the

latest survey from the Cardiff Chamber of Commerce, While expressing high confi-dence for the months ahead, the survey shows confidence to be lower than a year ago.

months. ...One. difficulty, according to the chamber, is that almost half the companies in the sur-vey found it hard to find suit-able workers, especially those with skilled trades. "Our latest survey still shows over 70 per caut of the A second report, from the infinential Welsh Committee companies in South Wales forefor Economic and Industrial

Confidence warning from Welsh business





biggest hotel chain, plans to open 50 more Travelodge bud-get hotels by the end of next Mr Rocco Forte, THF's chief adults and two children. Prices executive, announced the expansion plans at the weekrange from £19.50 a night for single occupancy to £24.50 for

his Budget. A briefing paper published by the CBI today claims that the proposals will have wide-ranging and daniaging effects, while benefits to the Exche-quer will be small by compari-son with the pension princi-ples they undernine.



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CERAMICS CASTINGS AFROSPACE COLOURS CONSTRUCTION ELECTRONICS PLASTICS PRINTING

For further information about Cookson, please write to: Corporate Relations Department. Cookson Group plc. 14 Gresham Street. London EC2V 7AT.

casting higher sales this year," Affairs, expresses concern Mr Fred Osborne, director of the chamber, said. Small husinesses

"Just a few years ago such a degree of optimism would have been sensational," he added. But it is clear that high inter-est rates and rising inflation are begining to worry industrialists, who are becoming increasingly concerned about their ability to sustain export orders.

Surprisingly, employment prospects appear to hava improved. At the start of the year, 16 per cent of the compa-nies questioned thought the obstacle, as seen by small companies themselves, is lack of knowledge of what is available. Finance for Business in Wales. Free from Welsh Counties Com-mittee, Mid-Glamorgan County Hall, Cathays Park, Cardiff CF1 3NE. brake on consumer spending might lead to redundancies. That figure had fallen to 3 per cent by the end of April. Four

on average as a result of the tax and benefit changes than they would have been if those The committee is a tripartite body comprising representa-tives of local authorities, the

had simply changed in line with retail price inflation since TUC and the CBL. "There is no overall shortage of finance for 1979. However, the II'S found that the gains had been business in Wales," the com-mittee reports. "but there are grounds for concern about the unevenly sprcad. The IFS says that half the

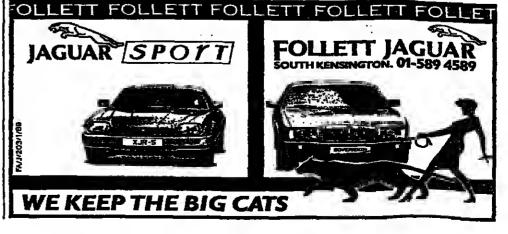
money spent on tax and benefit changes accrued to the richest 10 per cent of the population. Using a computer model of a representative sample of Britthat 80 per cent of the sample gained less than the overall average of £7 i week. The poo-rest third of himseholds gained only £1.30 a week on average, while 25 per cert of the poorest households lost in the tax and benefit changes.

The study says the average 27 gain was a direct conse-quence of the big tax and national insurance cuts of the last three years; A similar study conducted in 1986 would study conducted it 1966 would have shown an average loss for households due to the tight fis-cal policy during Mrs Thatcher's first years in office. Taxation and Social Security 1979-1983: The Impacton House-hold Incomes. Institute for Fis-cal Studies, 180 Tattenham Court Road, London W1P SLE. Price 16 (24 for members).

Meter bills may be too high, says Ofgas

THOUSANDS of tenants may be paying up to 50 per cent more than necessary for their gas through meters set by landlords, saye Ofgas, the industry's watchdog body. Mr James McKinnon, Ofgas' director-general, said yesterday a survey had found "wide-spread ignorance" of the cor-rect payment levels.

Spread ignorance of the cor-rect payment levels. He said thousands of tenants might be paying a lot more for their gas than they should be.



حكذ من الأجل

comes plans announced by the Government for student loans and higher publicly funded student fees. However, he calls for more However, he calls for more sweeping reforms designed to treble the proportion of the British population in higher education, now about 15 per cent, thereby bringing it into line with the US. The pamphlet argues that this growth would be impossi-

for Higher Education.

extensive reforms to universi-ties and polytechnics than those made by the Government were welcomed yesterday by Mr Robert Jackson, Minister The proposals are in a pam-phlet published today by the Adam Smith Institute, the free market research organisation.

The pamphlet's author, Mr Philip Malcohn, national stu-Inglier entration institutions, with more concentrated exclusively on teaching.
Helping colleges to provide part-time work for students in dent director of the Conserva-tive Collegiate Forum, wel-

University reform paper

is welcomed by minister

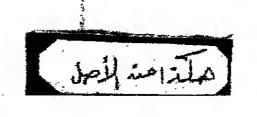
By David Thomas, Education Correspondent

ble if the state continued to fund the bulk of higher educa-tion, and it proposes a range of reforms designed to meet its PROPOSALS for more • Bringing fees completely into line with course Encouraging students to

contribute to tuition fees. • Encouraging greater variety of higher education institu-

Removing many powers of the central funding organisa-tions for higher education.

Mr Jackson described the pamphlet as a powerful and perceptive contribution to the ongoing debates on the future of bigher education." Light, Liberty and Learning. ASI, PO Bax 316, London SWIP 2DJ. 29.



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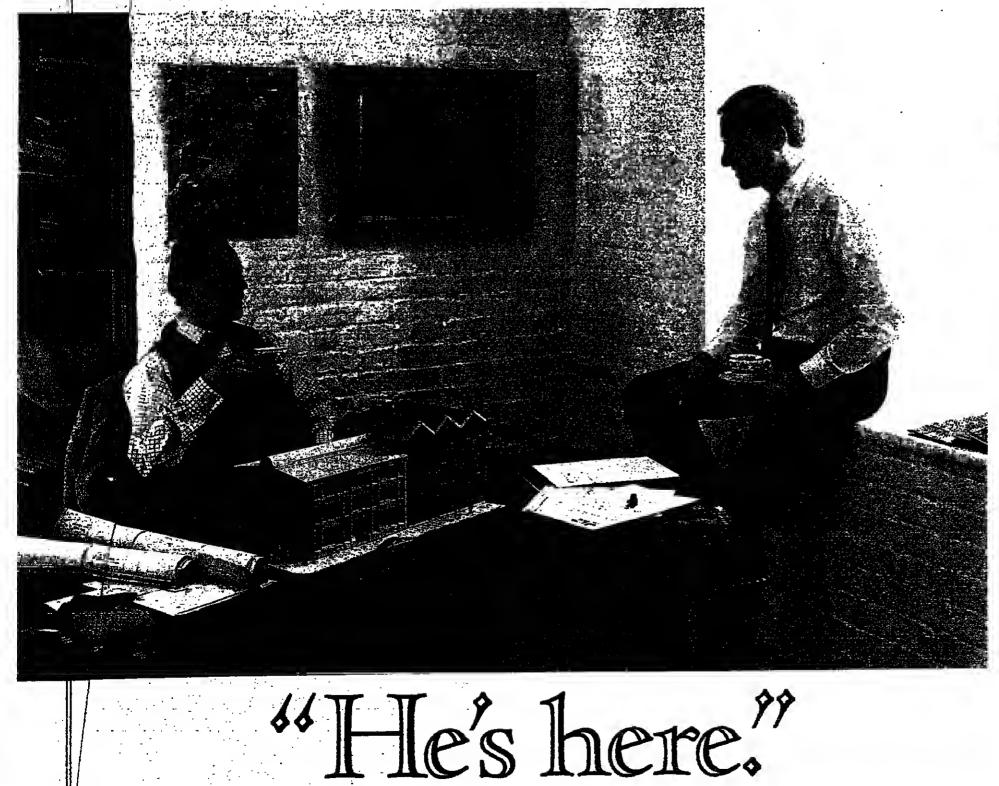
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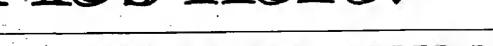
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•HOMES PROPERTIES CONSTRUCTION

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The industry, despite the expected slowdown in the rate of gowth this year, remains condrned about shortages of engineers. Fitting out The deep recession in civil enginering at the beginning of the 180s and the competing stractons of other careers had jed to harp fall in the number of granates coming into the industri **City of London** office project

HIGGS AND HILL has been awarded contracts worth a total of over £24m. Work has

"Let is hope that the next round it policy statements from the Government, begin-ning with the White Paper on roads poly for England, will show thatmore work is going to be avaiable on a regular basis and encourage young people to pok to careers in civil engineering," said Mr Emery. started on them all. . Having successfully com-pleted the construction of River Flate House at Finsbury Circus, London, the company has been awarded a fitting-out contract for the building by Talsei Europe

Lower ground and ground floors are to be formed into dealing rooms, and a computer suite installed on the third floor. On other floors of the six-storey building, executive meeting rooms and offices are to be provided.

The Standard Life Assurance company has awarded a con-tract to construct an office building at Hammersmith

Broadway. Gladding will be in Portland stone and facing brickwork with a classical facade at street level. It will have pitched roofs covered in slate and lead which will house the high-level plant

A four-storey office development for Price Waterhouse is being built in 70 weeks at negres of stanless and aroun steel pipework from kitish Nuclear Fuels for its TIORP project at Sellafield, Cuthria. The contract also calls fo the installation of about 200 mechanical plant items. re-Union Street in London.

The project is on the site of an old Roman dwelling area which has been investigated by the Museum of London.

A feature will be flat and segmental brick arches and indented and projecting bands of brickwork.

Higgs and Hill is indertaking cefurbishment and upgrad-ing of the National Westmin-ster Bank, High Street branch, in Winchester. The bank is to remain open for the duration of the project.

The company s long associaon with the Charing Cross lospital continues with an oder for construction of a beement car park which fours part of the development of new mental illness unit by the Riverside Health Anthority. The project requires a 17,00 cu metre excavation.

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All of these Securities have been sold. This announcement appears as a matter of record only.



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May, 1989

CONSTRUCTION CONTRACTS

Building momentum slows

"The indications are that workloads will remain at cur-rent levels or improve slightly in the next 12 months," said Mr Ron Emery, the federation's director general. The federation's finding were in line with a similar sur-vey published last week by the Building Employens Confedera-tion which concluded that Brit-ish construction ontout which

ish construction ontout which last year reached a record level would increase further this year but at a slower rate than

moustr

cast iron ore time at fishpe in Nigeria. None, the Nigerian national iron the company, awarded the contract which includes the concentration

plant, the dam of the River

Osara, the water istribution system, the electrical power network and other associated

Redpath Engineerag Ser-vices has won a £24m ontract

for the supply, pre-fahication and erection of some86,000 metres of stainless and arbon

Other improvements the

BETVICES.

By Andrew Taylor, Construction Correspondent

The proportion of civil engineering companies reporting an increase in order books has fallen below 50 per cent for the first time in two years, according to a survey published today

The Federation of Civil Engi-neering Contractors last month asked 140 companies whether orders had risen, fallen or stayed the same during the previous 12 months.

Forty seven per cent said order books were higher, 34 per cent said orders had remained the same and 19 per cent said in 1968. The Federation of Civil Engi-neering Contractors said the proportion of firms expecting they had fallen. orders to increase during the next 12 months had fallen to 16 per cent compared with 31 per cent when it conducted a simi-lar survey in January.

The federation said the results showed that workloads were still rising but at a slower pace than at any time in the last two years.

£186m workload for Trafalgar

Willett has been awarded contracts totalling 221.9m. They include an eight storey

office development in Mid-point, Basingstoke, for Rock-fort Land. The development

will contain some 84,000 sq ft-of car parking on the lower three levels with 67,000 sq ft of office accommodation on the

conce accommodation of the upper five storeys. Gammon Construction, Hong Kong. (owned jointly by Trafal-gar House and Jardine Mathe-

son), has been awarded a series of contracts totalling £16.9m.

The foundations division has

won two boring contracts worth film, one for civils work

on the container freight and

distribution centre at Kwai Chung Terminal 4, and the other for trunk road T5 in Sha-

Sofremines, a subsidiary of

TRAFALGAR HOUSE construction companies have TRAFALGAR recently won contracts total-ling more than £186m on a variety of projects awarded to several of its operating subsidtaries

John Brown Engineering has recently won orders totalling f51m in the US, Morocco and The People's Republic of China.

John Brown's Houston office has been awarded a contract for major modifications to the facilities of Lyondell Petrochemical Company at Channel, view, Texas. This contract, val-ued at £30m, will require some 250,000 manhours of engineering effort and will employ 400 construction workers.

In New Jersey, US, John Brown is supplying three gas turbine package power plants and the company has also secured a six-year operation and maintenance contract.

New county courthouse for El Paso

CHARTER BUILDERS INC, Dallas, the US subsidiary of Mowlem International, has been awarded contracts worth more than US\$48m (£28.6m). The largest is a US\$36m (£21.4m) contract awarded by the County of El Paso, Texas, for a new county courthouse. The project involves the renovation of the north portion of the courthouse building, which

glass, ceramic tile floor, amken courtyard. Demolition work has begun and the proj-ect is likely to run for 45 months

When the courts relocate to the new building, the front, or cent to the courthouse.

fabrication of the pipewrk will be carried out off-siteat Redpath Engineering Servics' facility near Workington, Cm-bria. The 24-month project 3 expected to provide 450 jobs 2 its peak. associated company Sofresid, has won a contract valued at £12m for the engineering of the construction phase of an opennorth end of the existing build-ing will be demolished and become the site of an open-

will then serve as temporary facilities for the county com-missioners while the south and

is demolished and a new 14-storey courthouse takes its place. The 405,000 sq ft structure will house 21 courtrooms, judges' chambers, support offices, pub-lic space and a cafeteria.

County is expected to award include a 12-level garage ada-

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Business economists Exponents of supply and demand

Ralph Atkins explains how the corporate specialists are fulfilling their calling

but not actually making anything, might appear hard to sell to the average manager.

But the business economist is alive and well and as pre-pared as ever boldly toread economic tea leaves for company directors.

Trained economists, supplying macro-economic forecasts and research, can be found in major companies in manufacturing, commerce and finance. Sometimes they are lowly back-office workers but often have direct access to chief. executives or board members. At ICI's economics and external studies group a professional staff of about 10, including engineers, mathematiciana and statisticians as well as economists, spend about a third of their time preparing economic forecasts. The rest is spent on other research work. Richard Freeman, its chief economist, used to work at the Treasury. "You have got to be much quicker on your feet in industry than in the public sec-tor, you have a lot of responsibility in the sense that you have to justify your forecasts

Western management con-sultant was asked some

they lack an obsession with win-ning, they fail to communicate that

commitment to their organisation in a way which spars it to achieve

sustained period of time.

ely ambitious goals over a

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11 Jan 201 - 1

expanded despite the cynical attitude of many towards the economics profession and an abundance of outside forecastera and commentators. Forecasts produced by the

Treasury and other groups have become notorious for get-ting things wrong particularly last year when almost every economic, variable, including growth, inflation and the trade deficit, was badly underestimated. If even the Government can't get it right, the reasonable businessman

might ask, what hope has a in independent management consultancies and a trend towards contracting out of auxillary services. Oxford Eco-nomic Forecasting, for instance, offers an off-the shelf computer-based model of the world economy plus back-up services, for shout £12,000 a year - far less than the salary expected by compstant economists although someone who understands how it works would be needed to operate it.

The skills of specialist to the board and represent the economists, schooled company in other fora." Yet, available evidence sug-gests that there are a lot of these people about. If member-ship of the Society of Business surprising, Their role has Economists (SBE) is any guide. numbers grew steadily after the second world war to a peak in the late 1970s with a big surge in the 1960s as economic ne came into vogue. In the early 1960s there was

a shake out - which probably reflected the massive restruct-uring of industry more than changes in economic thinking. Subsequently membership of the SBE has rebounded to about 620. Almost certainly this covers only a fraction of the total given that about 2 000 economics graduates leave university each year. There is a problem of defini-

tion, however. Many graduate economists will not he employed as pure economists, perhaps taking jobs in planning marketing or finance, but will still be able to offer a company the banefits of economic literacy. Back in the 1970s, a greater proportion of SBE members was employed in industry. More recently, growth has been in the financial sector. Probably the main factor explaining the expansion is a

understanding of how the economy ticks is needed for the successful operation of a large modern corporation. Businesses also need some idea. - however inaccurate - of where the economy is likely to be in the next 12 months or longer in order to plan and set

budgets David Kingston, chairman of SBE and principal course direc-tor at Expert Training Systems, the mangement development training com-pany, says: "A big company is going to be very much influ-enced by what is going on in the economy and what is going on in its market. It needs someone sufficiently skilled to inter-pret what is happening so the company can make sensible decisions about how to react."

Apart from straightforward forecasting, economists can be used in other areas - invest-ment appraisal, analysing the costs and benefits of options facing a company, or briefing management of likely govern-ment policy, for example. Here the boundaries with other specialist departments such as planning or marketing become fudged;

Salary aurveys carried out look are kay factors affecting

growing conviction that an by the SBE suggest that the status of economist in industry is not quite as high as it is in the City - but perhaps a step higher than in the public sector. Last year the median salary of members was £27,000 with a range of between £6,000 and £80,000. This encompassed the whole age range, from economists fresh from university to those approaching retirement. In comparison, a typical

economist in the City in his or her mid-twentles to thirtles could expect to be earning about £40,000. In the Treasury, a comparable figure would be between £20,000 and £30,000. But even economists agree

that their worth is not always clear cut. A capital-intensive company, such as one in power generation, may be able to use an economist to analyse trends in energy prices and consumption in a macm-economic setting. At the other extreme, a fashion company might flod no proven link between hemlines

and the economy. Economists are likely to be of particular value in the financial sector and in oll companies where expected price changes and the economic out-

RUCKBENE decision making. The skills of economists are also likely to be relevant in public utilities, multi-product companies or in large companies, such as high street retailers. In small companies, however, an economist is unlikely to be able to justify full-time employment.

STARK)

SALES

Typical managers are unlikely to have acquired the particular skills that economists possess. Many experts, including non-economists, advise that the job of interpreting the economy is not some-thing an averagely intelligent, but untrained, company director could do as effectively.

a solution for a typical coma solution for a typical com-body capable of analysing per-haps two or three independently produced fore-casts. "In my view most companies can do as well with, at most, one economist," he says. The benefit of an economist

FOR A WHILE !

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CONSIDERED SHOOING

DECIDED TO SETTLE

FOR THE ECONOMIST

INSTEAD

to a company depends crn-cially on how he or she is deployed. Possibly a mistake of the 1960s and 1970s was to rank economists en masse in their own unit to churn out endless unread reports and memoranda. John Grant, chairman of the

Temple, Barker and Sloane, the

management consultants, says

Basil Denning, director of

Strategic Planning Society, says: "A good economist is someone who has the ear of the chief executive and is expected to be pro-active - to say, do you realise so and so is happening? Would it not be a good idea if? They need to be someone who can speak for the company and who can stand and argue his case."

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This calls for communication, as well as economic, skills. "They have to be able to argue their case with other economists and then the next day be able in a meeting of managers or board members to present what they have told the economists in terms which are immediately relevant to the managers," says Grant.

As the science of economics evolves, business economists are likely to become more populous. Computer modelling of the economy has yet to come of age and has yet to prove itself any better than the back-of-the envelope economist.

Yet Sheila Drew Smith, a partner in the consultancy division of Deloitte Haskins & Sells, says the expertise of the economist is worth more than the managing director sticking his finger in the wind. Their full potential may not yet have been realised.

She says: "In some organisations, they are closely inte-grated with the hoard and respected. More often, they are simply parked. But it takes two to tango. The economists have to make sure they are able to communicate and don't stick to esoteric language."

over a period of 10 or 20 years, sustains enthusiasm hy providing a series of concrete medium and short-term programmes to rein-force the overall target, for instance, by first improving qual-ity, driving down costs, cultivating export markets, and then underwriting new product development.

Emphasising that expressions of strategic intent are utterly different from the sort of worthy hut often meaningless mission statements that are promulgated hy many companies in the west, Hamel and Prahalad say that "vague mission statements" (and, for that matter, purely financial targets) "just cannot provide the sistent direction that is a prerequisite for winning a global competitive war."

Instead, top managers must develop faith in the organisation's ability to reach tongh goals, must motivate it to do so, and must focus its attention long enough for it to develop new capabilities which will give it global leadership. *Strategic Intent. HBR May-June

1989, Reprint no 89308.

A Western management con-sultant was asked some time ago to help polish up the English translation of a strictly internal company document which his Japanese client, a leading con-sumer electronics multisational, had sent over for distribution to its Christopher Lorenz on the contention that many companies lack a clear commitment to winning streets ahead of most of their western competitors in their develop-ment and use of strategy, according European staff. To the consultant's surprise, the document's title was "World Conquest Plan." to the article's authors, Gary Hamel of the London Business School and Professor C.K. Prahelad Few western companies think in such terms, let alone tell their. of the University of Michigan. employees about it. Not only do

Their article is one of the longest over published in the HBR, and constitutes a sustained attack on the concepts and techniques which have guided western competitive performance over the past two decades or more. By implication, though not by

Expressions of precisely this sort. name, they attack such influential strategy inminaries as Harvard's Professor Michael Porter of "strategic intent" have helped lift Japanese companies such as Canon, Houda, Komatsu, and NEC canon, monoa, Komaisu, and NEC Professor Michael Porter, and the from near-obscurity ogtaide Japan, work of several leading consultan-to considerable international suc-cess, according to a hard hitting, analysis and portfolio planning, article in the latest issue of the In a catalogue of weatern ward Harvard Business Reviews

This is by no means the only way . use of organisation structures with in which Japanese companies are decentralized "strategic business

units" (SBUs) puts western compa-nies at a disadvantage against their Japanese competitors. "Few companies with a strong SBU orientation have built successful global distri-bution and brand positions," they say, because SBU structures discourage the co-ordination of activi-ties across different businesses and countries. On the strategy front, popular

concepts such as four-stage product life cycles, three-part "generic strategies", and two-by-two planning matrices confine far too many western companies inside a strate-gic straitjacket, claim Hamel and Prahalad.

A catalogue of strategic woes of the west

new ways (including through col-laboration with them). Instead, western strategy concepts encourage "competitive imita-tion", warn the academics. As a result, companies "are expending enormous energy" simply on reproducing the cost and quality advantages which their global com-

petitors already enjoy. "The essence of strategy lies in creating tomorrow's competitive advantages faster than competitors mimic the ones you possess today," the academics argue, pointing out that this is precisely what success-ful Japanese manufacturers have

achieved over the past 30 years. "In the 1960s, Japanese produc-ers relied on inbour and capital Prahalad. Such concepts help make compa-nies deficient in "competitive inno-vation" – the art of changing the rules of the game in a particular industry, of building layer upon layer of competitive advantage, and of disaraning one's competitors in

quality advantages. Then, as their US and Buropean competitors rationalised manufacturing, they added another string to their bow by accelerating the rate of product development. Then they huilt global brands. Then they deskilled competitors through alliances and outsourcing deals."

The moral of this process, say Hannel and Prahalad, is that the most defensible competitive advan-tage of all is an organization's abil-ity to improve its existing skills

and learn new ones. This gets at the heart of the two academics' view of the basic differences between western and Japanese approaches to strategy. The most common western approach, they say, is to trim a company's ambitions to match its available skills and resources (this is known among academics and consultants as finding a "strategic fit").

But Japanese companies, and a few western ones, follow a very different line, of "leveraging resources" - including challenging everyone in the organisation to develop new skills and achieve dramatic personal, group and corpo-rate goals. This is where "strategic intent" plays such a vital role.

At one level, say Hamel and Prahalad, an obsessive strategic intent simply focuses the whole organisation on a desired leadership posi-tion, and lays down a simple criterion that the organisation will use to chart progress towards it, Komatsn, the construction equipment manufacturer, set oat to "Encircle Caterpillar". Canon songht to "Beat Xerox". Honda strove to become a second Ford an antomotive pioneer.

At the same time, the concept as applied in Japan also involves an active management process which,



is no childhood activity. A properly-proportioned 'chula' must resemble a human being, with its topmost section representing the head, the two side sections the arms etc., and it must be correctly proportioned for aesthetic reasons.

Indeed, the 'chula' in its dimensions and shape has religious and philosophical significance. Naturally, the crafting of kites

seven foot long - seven times the length of the pretty female kite or 'pakpaos'. Both play important roles in kite fighting.

ces of the sporting code that rules over this enthusiastically pursued The 'chula' or male kite is activity.

It has its own rules and regulations and is recognised by the Thai Sports Association. Many and varied are the nuan-

associations. Dating back to the thirteenth century, kite fighting is a real sport of the Thais (and Kings have been numbered among the sport's participants).

Kite flyingt What happy memories of childhood; blue skies, the smell of new-mown grass, horses-tail clouds and those brightly coloured diamonds, fluttering to earth. In Thailand, the kite has more serious

> the bamboo. As this is the Year of Arts and Crafts in Thailand, there is no better time in which to take in the many and varied examples of Thai tradition and ingenuity. And there is no finer way of flying to Thailand than on Thai International.

of a truly great kite. Each kite takes three days to make and Mr. Tiangtham's dedication to his art runs to having a knife made specifically to trim

amount to 1500-2000 baht a day. Mr. Tiangtham searches out his own supply of bamboo in the nearby forest, so crucial are the basic materials to the construction

professional kite makers. His carnings in the kite season

Mr. Charoon Trangtham, for example, who has been an amateur kite-maker since the age of 10, gave up his job as a bus driver when he was 47 years old to become one of Thailand's most sooght-after

A square criss-cross of threads holds it rigidly together so the squares are uniform. You can see the professional kite-makers in the Bangkok area.

rounded and smoothed bamboo frame (which consists of six separate pieces).

The paper must not cover the carefully

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THE BRAIN CAN ONLY ABSORB WHAT THE BOTTOM CAN ENDURE.

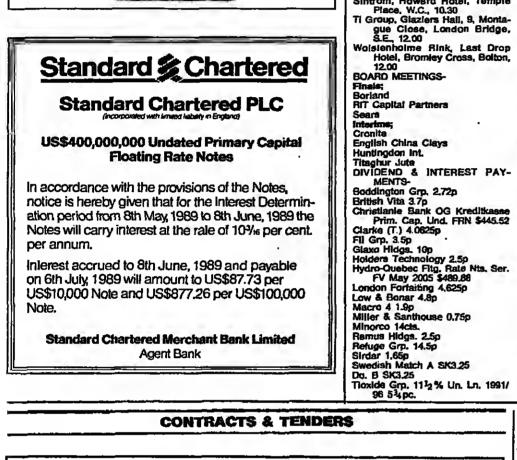
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REPUBLIC OF PERU

MINISTRY OF ENERGY AND MINES

PARLIAMENTARY

Commons: Finance Bill, com-

Licensing (Amendment) Bill,

Committee on a private bill: Birmingham City Council (No.

Commons: Finance Bill, com-mittee.

TODAY COMPANY MEETINGS-

COMPANY MEETINGS-Alexendre Workweer, Sevoy Hotel, Strand, W.C., 12.00 Black (A.&C.), 35, Bedford Row, W.C., 12.00 Bunzi, The Brewery, Chlewell Street, E.C., 12.00 Leird Group, Browe's Hotel

Leird Group, Brown's Hotel, Dover Street, W., 12.00 Matthews (Bernard), Malds Hesd

Rutland Tst., Hyde Park Hotel,

Knightsbridge, W., 12.00 Sintrom, Howard Hotal, Temple

Hotel, Norwich, 2.00

Motion on Personal Equity

2) Bill. (Room 5, 10.30 a.m.)

Lords: Water Bill, committee.

Today

Order.

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Tomorrow

second reading.

Wednesday

FINANCIAL

Lords: Debate on compensation Commons: Dock Work Bill, rules in compulsory purchase timetable motion. Motion on EC document on Debate on polytechnics. Schizophrenia Aftercare Bill, moking in public. Moting in public. Opposed private business. Lords: Weter Bill, committee. Motions on Legal Aid Order and Beef Special Premium committee.

Seject committees: Defence: subject, procurement of Tucano trainer aircraft. Wit-Ministry of Defence. ness: (Room 16, 10.20 a.m.) Energy: subject, energy rela-

Plan Regulations.

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tions with the Soviet Union. Witnesses: Dr Klans Brendow. Mr Michael Kaser, Dr David Wilson and Mr Jonathan Stern. (Room 8, 11 a.m.) Foreign Affairs: subject, Hong Kong. Witness: Lord Maclehose. (Room 15. 11 a.m.) Education: subject Expendi-ture White Paper. Witnesses:

Department of Education officials. (Room 20, 4.15 p.m.) Treasury 3% 1990 112 pc.

Wates City of London Props. 231p TOMORROW COMPANY MEETINGS-Baynes (Cherles), 58, Coombe Road, New Malden, Surrey, 4.00 Bredero Props., Royal Automobile Club, 89, Pati Mali, S.W., 11.45 Herring Son & Daw, Cafe Royal, 68. Regeni Street, W., 12.00 Plaxton, The Brewery, Chiswell Strict, E.C., 12.00 Smith & Nephsw, Groevenor House Hotel, Park Lane W., 11.00 Wilson Bowden, Grand Hotel, Granty Streel, Leicesler, 12.00 BOARD MEETINGS-Finels: Ambrose Inv. Tst. Marks & Spencer New Ireland Newmerket Venturs Can Parkland Textile terims Titon Hidgs. Windsor DIVIDEND & INTEREST PAY-MENTS A.C. Hidgs. 1p Arlington Sec. 4.2p Battica Hidgs. DK0.08 De Beers Did. (Reg) 35.58852p Do. (Br) 35.58852p Do. \$ 35.58852p lifax Bldg. Society Fitg. Rate Ln. Nts. 1994 £159.71 Hongkong & Shanghal Banking HK\$0.27 Ingham (George) 2p Int. Bank for Rec. & Dev. 11.5% Ln. 2003 5³4 pc. Johnston Press 2.5p Lloyds Bank 11.3p MTL Instruments 2p National & Provinciel Bidg. Soci-ety Fitg. Rale Nts. 1999 £323.03 Paragen Comms. 2.20 Royel Bank ol Scotland Fitg. Rate Nts. 2005 £159.26 **COMPANY NOTICES**

Employment: subject, part-time employment. Wit-nesses: B&Q. (Room 18, 4.15 mittee. D.m.) Home Affairs: subject: Drug trafficking and related crime. Witness: Home Office. (Room 15. 415 p.m.) Defence: subject, procure-

Defence. (Room 16, 4.20 p.m.) Procedure: subject, scrutiny of European legislation. Wit-ness: Mr John Biffen MP. (Room 17, 5.10 p.m.) Thursday

ment motion to approve the White Paper "Working for Patients Lords: Electricity Bill, commit-Brunei (Appeals) Bill, committee.

Standard Chartered Und. Prim. Cap. FRN (Ser.2) \$452.5 Victaulic 5.5p Wolstenholme Rink 9.5p WEDNESDAY MAY 10 COMPANY MEETINGS-British Aerospace, London Mar-riott Hotel, Duke Street, W., 3.00 Dauphin, Business Design Centre, 52, Upper Street, Islington, N. 10.30 Evans Halshaw, Monaco House, Bristol Street, Birmingham, 12.00 Ibstock Johnsen, Hyde Park Hotel, Knightsbridge, S.W., 11.00 INSTEM, Savoy Holei, Strand, W.C., 10.30 Kleinwort Smaller Co'e Inv. Tst., 10, Fenchurch Street, E.C., 12.45 Standard Chertered, Merchant Taylors Hall, 11.00 Sun Life Assurance, Seddlers' Hall, Gutter Lane, E.C., 12.00 BOARD MEETINGS-Finals; Allied Irish Banks Chesterfield Props. City of Oxford Inv. Tat. External Inv. Tst. Lowndes Queensway Bibby (J.) Novo Inda. Stakis Triefus DIVIDEND & INTEREST PAY-MENTS-American Express 21cts. Beauford Grp. 3.2p Citicorp 40.5cts. Citygrove 5p Comms. State Bank of Victoria 7% Gtd. Bear Nts. 1992 3.5pc, Domestic & General 2.75p Nichols (J.N.)(Vimto) 5.1p Scholes Grp. 2.6p Southampton, IOW Steam Packet 18p Sate Bank of New South Wales 7% Bear Nbs. 1992 3.50 Volvo AB A SK14 Do, B SK14

of Registers) Bill, second read-Select committee: Defence: subject, progress on the Tri-dent programme and capital works at the Atomic Weapons ment of Tucano trainer air-craft. Witness: Ministry of Establishment, Aldermaston. Witnesses: Ministry of Defence officials. (Room 16, 10.50 a.m.)

Committee on Private Bill: Birmingham City Council (No. 2) Bill. (Room 5, 10.30 a.m.) Friday . Commons: Private members'

DIARY DATES

Antarctic Minerals Bill, com-

Common Land (Rectification

Commons: Debate on Governmotions.

Lords: Debate on the report of the review committee of the Parole Board for England and

Palew **Control of Smoke Pollution** Bill, second reading. THURSDAY MAY 11 COMPANY MEETINGS-Bardsey, Connaughi Rooms, Great Queen Street, W.C., 12.00 Bilston & Battersea Enamele, Biliston & Battersea Enamele, Picugh & Herrow, Hagley Road, Birmingham, 12.00 Britannie Group, Golden Valley Hotel, Cheltenham, 12.00 Britteh Moheir Hidgs., Midlend Mills, Valley Road, Bradford, 11.50 11.30 Cambridge Elect. Inda., Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 12.00 He's (Hidgs.), Willerby Manor Hotel, Well Lane, Willerby,

Hull, 12.30 Filofex, Brown's Hotel, Albermarle Street, W., 11.00 GKN, inter-Continental Hotel, 1, Hamilton Place, W., 11.30 Geskell Broadloom, Pines Hotel, Clayton-le-Woods, Chorley, Lanca., 10.30 Iceland Frozen Foods, Second Avenue, Deeside Indi. Park, Deeside, Ctywd, 10.00 Jacobs (John I.), Clifton-Ford Hotel, Welbeck Street, W., 11.30 11.30 Kwūc-Fit Hidgs., Stationer'e Hall, Ave Maria Lane, E.C., 12.00 Rentokii Grp.; Felcourt, East Grin-stead, West Sussex, 12.00

Shall Trans., Shell Centre, S.E., 11.30 T & N. Remada Renaissence Hotel, Blecktriars Street, Manchester, 12.00 BOARD MEETINGS-

Yorklyde

1989 (01-236 4080) Interints; BOC May 12 . Grand Metropolit DIVIDEND & INTEREST PAY-Hawksmere: The Companies Bill (01-824 8257) May 15 Institute of Economic Affairs Health Unit: The welfare state -

the changing debate (01-799 Hydro-Quebec 10¹4 % Deb. Ser. GX 11/5/95 5¹8pc. 3745)

May 15-16 North Housing Assoc. 834% Gtd.

Trade Fairs and Exhibitions: UK Computers in Manufacturing

Current British Craft Trade Fair (0282 867153) (until May 9) Exhibition (0372 372842) May 26-28 Exhibition Centre, Harro-Select Investment Show (06333 gate

76626) May 16-18 Energy Exhibition (0895 421111)

June 6-8 NEC, Birmingham Enterprise and the North West Opportunities for Action Con-ference and Exhibition, (01-642 May 18-20 Scottish Money Show (01-940

2244) Exhibition Centre, Glasgow May 19-21 National Franchise Exhibition, Fine Art and Antiques Fau June 8-18

including Other Business Opportunities (01-727 1929) Olympia May 23-25

Business to Business Exhibi-tion (01.729 0677) National Incentive & Promo-tion Exhibition (0273 206722) Olympia May 23-26. June 21-23

Chelsea Flower Show (01-834 4833) **Royal Hospital**, Chelsea

May 24-25

Show (01-379 0765)

MASIA (01-486 1951)

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International Air Show (01-225

FT Conferences: World rail -

Service and profit (01-925 2323)

The Textile Institute: Interna-

FT Conferences: Transport links with the Continent

Hotel Inter-Continental,

Cafe Royal, London

Hilton Hotel, London

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May 10-11

June 9-18

June 19-23

May 13-17

May 23-26

Overseas Exhibitions

International Wine, Spirits & Equipment Exhibition - VINI-TECH-VINEXPO (01-225 5566) International Antomobile Taipel Bordeaux June 20-25 Asian International Chemical International Building and Construction Exhibition (045382 8969) and Process Engineering Exhibition and Conference - CHE-Singapore June 25-28 International Fancy Food and International State Fair (01-734 Confection Show (01-940 3777) 1. 1 Nicosia

June 27-29 International Express & Courier Services Exhibition and Conference (0420 87303) Brussels

Business and management conferences

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G-MEX Centre, Manchester

Business Design Centre,

Personal Investment Market-

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NEC, Birmingham

ing Show (01-948 5166)

FINANCIAL TIMES MONDAY MAY 8 1989

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(01-385 1200)

June 11-14

May 15-16 Acquisitions Monthly: Management buy-outs (01-823 8740) Hilton Hotel, London

May 17-19 World Grain Magazine/Sosland Publishing Co: Global grain coping with crisis (Brussels 32-2/736 03 05)

Sheraton Hotel, Brussels May 17 The Institute of Economic

Affairs: Law and economics (01-799 3745) Queen Elizabeth II Confer-

ence Centre, Westminster munications: International money and capital markets

May 18 Centre for European Policy Studies: Business policy seminar - Energy policy options for the European Community ((32.2)513.40.88)

Brussels

May 19 Gouldens/Institute of Direc-tors: The life and death of a company (01-583 7777) 116 Pall Mall, London

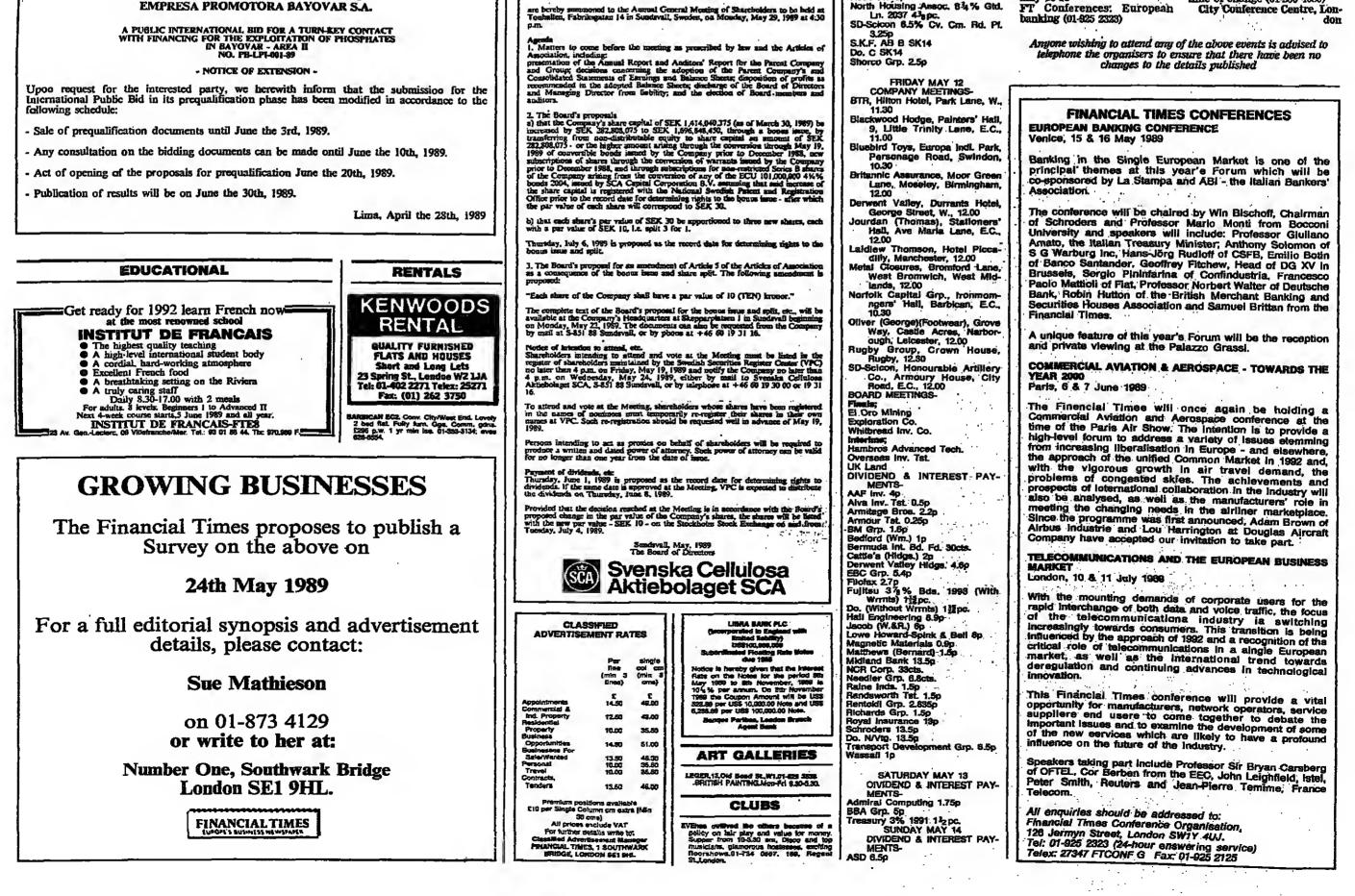
May 22 International Business Communications: Offshore funds - a

time of change (01-236 4080)

DIVIDEND & INTEREST MENTS-Alida Hidgs, 7.5p Bilaton & Battersea Enamels 2.7p Business Technology Grp. 1.75p Cisylorm Props, 8.4p Gardner (DC) 2.2p Herring Son & Daw 2.5p Herring Son & Daw 2.5p Jaguar 7.3p Kode Int. 5p

Pinale: King & Shaxson London Atlantic Inv. MIL Research Seafield

UEL



Anonal General Meeting

Starcholders in Symaks Celluiosa Aktiebolaget SCA

ARCHITECTURE Acropolis meets civic centre

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't was the Canadian writer Margaret Atwood who wrote about the feel-ings of the plonegrs as they staked out their plots "in the middle of nowhere." To any visitor from the old cities of Europe there are found with of Europa there are those same feelings of excitement and des-olation as he approaches the new settlements of North America.

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There is always a sense of distress at the detritos caused by dependence upon the motor car and the apparently profit gate consumption of land. The new city of Mississanga was inaugurated in 1974 and is on the western edge of the sub-urbs of Toronto. Its origins go back to the development of sub-centres intended to contain and organise the rapid growth of Toronto in the 1970s. North Yurk and Scarborough, two parallel sub-centres grew up at the same time, but had the major advantage of good public transport links with Metropolitan Toronto. Mississanga, until recently, was most famous as the home of the second largest shopping mall in Canada, -developed by Hammersons. Today it has a more serious claim to fame as the home of an important new civic centre. that is as striking as it is controversial

troversial The Mississanga Civic Cen-tre was designed by Jones and Kirkland, a Canadian Partnership, after a national competition that attracted over 240 entries in 1982. Edward Jones. is British and was trained at

THE PLACE

landed salmon.

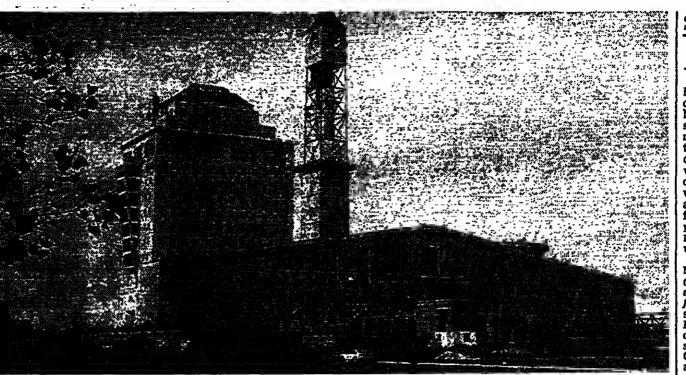
the Architectural Association and Michael Kirkland is an American teaching and practising in Toronto.

ing in Toronto. The completed building is, by any standards, remarkable. It is highly sophisticated, urban and infelligent a pio-neering civic building that, at present, exists without a city. Bravely it establishes new parameters for civic design can it stimulate more buildings in the city of a similar.

in the city of a similar standard? In many ways it, resembles an acropolis II, is a collection of buildings for different func-tions grouped in a highly pic-turceque fashion on a large flat plot almost next to the gravel-ing anonymity of the shopping mail. The first thing most visi-buits see is the least successful part of the design: a fall skele-bal clock tower loosely based on the clock tower of the old. City Half of Foronto with a Toytown eljoir sitting under a pyramid sout, which looks oddly juvenile alongside the elemental seriousness of the elemental seriousness of the

test of the group. Approaching on foot, the main south facing front is a glast pediment instantly reminiscent of two older European masterpieces. As the pediment masterpieces. As the pediment makes up the whole of one building, it is very similar to Asplund's design for the Swed-ish Courthouse at Lister (1920's) which is, in turn, like Palladio's. Villa Valmarana.

The pediment block is approached across a forecourt with trees and fountains. Here



ARTS

The Mississanga Civic Centre, Toronto, designed by Edward Jones and Michael Kirkland

the massing is powerful, made even more effective by being built of banded Roman brick. Inside the entrance arcada is a recessed entrance that leads into the high and richly orna-mented main entrance hall or pretation of Asplund's (1920's) Stockholm public library -"civic room." This is a grand interior civic square roofed in glass. Walls and columns are clad in Italian one of the icons of Scandinavian neo-classicism.

The collection of giant forms clustered together in an histor-ical collage is highly memora-hle; the city has acquired its only landmark. It is totally appropriate that it should be the civic centre; historically, green marble and granite. The great arch on the entrance wall is reminiscent of the entrance to Karl Marx Stadt in Vienna. The whole room also feels like something designed by Hoffmenns in Vienna. The richness of materials is splendid – almost vulgar and highly suitable for a civic centhe forms suggest government and a degree of grandeur and

hierarchy. Some people have suggested that the forms also reflect the agrarian landmarks of Ontario; the barns and the tre attempting to make a mark in a new city. Curiously, this great civic hall is not highly silos of the prairie. The good

articulated on the outside of thing about having some symthe group of hulldings. The pyramid shaped glass roof over the hall is dwarfed by the great drum shaped council chamber. No secret that this is an interbolism is that at least it is open to interpretation. The interior of the Council

Chamber naturally reflects the circular exterior. The one hundred foot wide domed roof is painted to resemble an evening Spring sky over the city. The stars are illuminated spots of light in the ceiling (all done by fibre optics) and the effect is rather like a planetarium. However, there is a dignity to the room that comes from the architecture rather than the decoration. The intermediate spaces between the drum, the pedi-ment and the tower show these

architects at their most inventive and sometimes Piranesian. The art gallery, lesser hall, the grand staircase and the gallerias around tha council chamber are all internally intriguing spaces, full of archi-tectural references both histor-

ical and modern. This great public edifice enriches our architectural vocabulary. It is no discredit to the architects to say that it would never hava existed without the work of Michael Graves and James Stirling and the approach to architectural history so well taught as the application of "Collage" at Cor-nell by Colin Rowe. It achieves its chief object brilliantly - to be as strongly and identifiably civic as possible. It could not have achieved the presence it has without a learned return to architecture's classical roots.

Colin Amery

SPONSORSHIP **Promotion** abroad

15

Marks and Spencer is coming Swire to head the drive last out of the closet. It has always been one of the biggest arts sponsors in the UK, hut chan-nelled its money discreetly through the traditional format of a committee of directors who gave to medical and educational causes, to community welfare, and to the arts, mainly at the local level. It was old fashioned charitable giving. primed by a sense of social responsibility. Little publicity was sought or desired. M Hearing, which produces around a third of the 300,000 hearing aids sold in the UK each year, as a first time arts

That is changing - slightly. M & S has put up £60,000 for an overseas marketing exhibition, antitled All Dressed Up: British fashion in the 80s, the succes sor to similar ventures selling British achievements abroad on pop and, more dubiously, sport. It will start in Poland in Octoher and then travel around Eastern Europe for two years, showing off the nifftiest work nf British fashion

But if M & S, which has outlets in Hungary and Czechoslo-vakia, is providing self-inter-ested backing to an art form which produces much of its profits, its partner in the ven-ture, the British Council, sees it as another fine example of

export arts sponsorship. Just over a year ago it set up a department under John Nickson to promote to business the message that the excellent reputation of British arts ensures that they can be used overseas as a bridgehead for husiness. In 1988-89 it stimulated £1.7m of corporate money for overseas touring, ensuring such successes as the Barclays backed British art exhibition in Madrid, the Far East tour of Sadler's Wells Royal Ballet, supported hy Glazo, and recently the RSC's visit to the continent, courtesy of the Midland. Its target for 1992-93 is £5m.

It is all part of plural fund-ing, which has become the Government's favourite catchwords. The British Council supports British arts abroad in its line of duty hut, with restricted resources, its impact is limited. And its brief is wider than just selling the arts. Its higgest proposed venture. attracting £500,000 from Rank Xerox, which it will match, covers the management train-ing of Soviet executives, and fellowships for African and Indian academics. But there will also be an arts link, proba-hly involving the LSO in an East European tour. In all, joint initiatives involving the arts accounted for two thirds of the money the British

It believes that it is close to announcing a sponsor for the ENO's tour of the Soviet Union next year; it is talking to potential sponsors for the National Theatre's Far Eastern visit in the autumn; it is urgeotly seeking aid on a breakthrough tour sending 60 modern British figurative paintings, including work stretching from Gilbert & George to Lucian Freud, to China later this year, which needs over £150,000 in aid. The companies that have tested overseas arts sponsorship are happy with the results. Glaxo has signed a deal to open a factory in China; Barclays is the biggest British bank in Spain, one of the fastest expanding economies in Europe. Being seen entertain-ing the Chinese Minister of Health at the ballet, and the both the Spanish and British monarchs at the Prado in Mad-

rid, smoothed both companies'

Beethoven is the perfect example of how the hard of hearing need not forswear music, and these days the induction of loon system in most concert halls enables the wearer of a hearing aid to enjoy the music as much as the listener suffering no impedi-ment. A & M Hearing will mount an exhibitioo in the foyer of the Hall and after each concert there will be receptions with guest speakers. Another first time sponsor in the concert hall is Panasonic Europe, which is backing the European Community Baroque

year. Three companies - Shell which backs the Artist's Eye

shows; Esso, the supporter of Art in the Making; and Dixons,

which pays to keep the gallery

open late on Wednesdays in

the summer, are greatly rais-

ing their sponsorship this year. Dixons contributes almost

£80,000 to cover debates and

concerts in the gallery to

Serendipity has brought in A &

sponsor. It is putting up

around £30,000 to support

seven concerts of Beethoven

Symphonies from the RPO

under Previn at the Festival Hall in June and July.

enliven the longer hours.

Orchestra with £50,000 to tour the continent this month. As in art, pan-European ventures are likely to become more common as we approach 1992. This autumn the Academy of St Martin in the Fields will Manch a European Corporate Memhership Scheme, spon-sored by Citicorp, which offers companies who join up 20 com-plimentary tickets for the European concerts of their photon In 1000 00 close the choice. In 1939-90 alone the Academy will be giving 70 concerts in over forty European cities.

Arts & Communications Counselors, a division of the PR company Ruder Finn, set up in London last week. Not on the surface earth shattering news, hut wait! This is easily the largest arts consultancy in the world, operating in the US for 30 years and including among its clients some of the biggest names in arts sponsorship, such as Philip Morris, Chase Manhattan and American Express.

London is seen as the base for European campaigns, such as this year's global tour hy the American Ballet Theatre which Philip Morris is underwriting with \$1.5m (£880,000). What will interest British arts organisations is the fact that, unlike most of its British competitors, it also works for arts bodies, and numbers many leading museums among its clients. Corporate sponsorship of the arts in the US is estimated to approach \$5bn, and A&CC sells the concept in terms of strategic philanthropy rather than stressing the tax advantages. The idea is that supporting the arts gives American Express a quality image while Philip Morris is seen as progressive. The company also works on retainer for arts organisations seeking sponsors, coach-ing them in what they must offer business. One obvious area of growth is the packag-ing and touring of treasures from British galleries and museums overseas: others include assisting companies in building up art collections and advising developers on an art angle in selling their proper-ties. A&CC talks big numbers: it does not helieve that the arts should sell themselves short; and working for multinational corporations it is often handling multi-million dollar pro-

Two men in dark shirts, in timing and sleight-of-hand trousers, heavy shoes, walk on to the dance area at The Piace and lie down amid thin bars of transverse lighting. A girl sits at a table behind them and body-search the women, and body search the women, and are repaid for their intrusive bandling by knees to the groin and quick kicks. Then a man seats himself on scrapes and slaps her hands on the table's amplified surface, the sounds impelling the men. to move and thresh about like

chair, transforms his poses a) chair, transforms his poses, by lying on the ground, and his actions are aper and extended, by the rest of the cast, who strike mocking photographic poses, and holding in mad cou-plings. (A man takes off a pull-over, while holding a girl on his hip - no mean feat.) The logic of gravity and daily behaviour is called into question. Increasingly belligerent in increasingly beingerent in tone, the action changes as other performers appear bear-ing white plaster blocks, some the size of bricks, the others larger. With these they first make stepping stones, belone: ing laboriously, then start to throw them at each other, or fling them towards the roof,

Wim Vanderkeybus | Felicity Lott WIGMORE HALL For her latest London recital Geoffrey Parsons's care. The chosen set of 11 filling the first half were most judiciously bal-anced: civilised lightness, of which this singer is complete

in "Philine", the unforced accuracy of her touch was a marvel (and marvellously matched by Mr Parsons's inimcurrent voyage through all of itably deft way with Wolf's shaped as a whole. A singer Wolf's Goethe settings, under plano parts, particularly his who understands how to grade

Miss Lott was in quite wonderful voice, Just now, indeed, her singing seems to have reached a peak of poise and refinement. Not a note in Thursday's pro-gramme of Wolf, Strauss, Lizzt, and Poulenc was ill-placed, the lines were all long-breathad; time and again the hall was set glowing by the floated soft phrases (of which there was a glocious abundance) as well as the ample loud ones. Everything told us that this is a soprano in her prime, and that

her match of artistry and vocal means is of cherishable

suggests a confidence about technical matters that was entirely justified. Better still, Miss Lott knows how to colour her words with the lightest of smiles or raeful suggestions; whether in these two songs or

closeness. The recital was the latest

Does she occasionally "coast"? Is the call for dramatic involvement, in songs like "Heiss' mich nicht reden" mistress, alongside song set-tings of deeper emotional mes. To begin any recital with the "shepherdess" pair of "Die Spröde" and "Die Bekehrte" or "Nur wer die Sehnsucht kennt", aver so delicately shirked? The bottom fifth of this singer's compass lacks something in power and fullness, and where those qualities were specially needed, in (for example) the low-plunging start of "Kennst du das Land", the ardour of Wolf's poetic imagination was slightly coolled. But in context this seemed a small criticism, seeing that it is a very long time since I have

heard this most famous of the

Mignon songs so eloquently

humorous postludes).

its three-verse structure is a

rara anis indeed. After the interval there was some delicious Strauss, two Liszt songs (the long rising close of "O quand je dors" achieved with beautiful ease), and, best of all, four Poulenc songs, in which the command of French and the combination of cool control and sharppointed wit approached the ideal. Miss Lott chose a Pon-lenc song, "Les Chemins de l'amour", for her first encore, and lavished on it such silvery radiance and elegance of style that I fled the hall immediately

afterwards: after that final, Council raised from business perfect messa di voce anything last year. else was surely an anticlimax. **Max Loppert**

regardless of who may be burt should someone - auyone not catch them.

hem to

The speed and the perils of the scene increase, and we might expect to hear a namyish voice declare that "It youdon't stop these dangerous games, someone will get hurt". This is the subtert of What the Body does not Remember a stunning example of "physical theatre" which the Belgian choreographer Wim Vanderkeyhus brought to The Place at the end of last week. The games all have an edge of ner-vous tension which seeks to provoke aggression - serual, physical, emotional - and

With the brick-throwingdone, the five couples in the wholly admirable cast start walking briskly, and as they pass each other, matching jackets, and then briskly. removing the towels that they have acourted.

It is a scherzo at the heart of the work, separating more bra-tal and provocative sequences. The towal-game is impeccable Clement

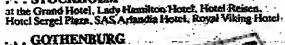
It's attention to detail

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... MALMŌ at the Garden Hotel

FINANCIAL TIMES

Finally come passages of stamping feet inst - and only just - missing a recumbent partner, vehement anger in every leap and footfall, and the choice hetween being crushed or avoiding the pounding foot yong with the hopless victim. The piece lasts 90 minutes, during which physical harm, physical horivado, physical EADIO 3 affronts and invasions of, privacy and personality, are da-played in a language of every-day gesture. The dangers we see are metaphors for the dansers we run in the private and communal life of an age increasingly hazardous and

Mr Vanderkeybus and his desting encemble have made. from these facts a memorable and potent work of art, which has a pand driven and uncompromising accompaniment by Thiary de Mey and Peter Ver-meersch, played by the group Maximalisti. The company must return to London soon: it

Clement Crisp

novotei

MUSIC

London

Paris

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Luioslawski Festival, for three days at Guildhall School of Music (Tue, Wed, Thur). BBC Symphony Orchestra, Lon-don International Prizewinners Festival, conducted by Matthias Demost Planeta Korcakor Ban.

restival, connucled by statinias Bameri, Rimsky-Korsakov, Bar-tok, Dvorak. (Tue) Barbican Hall. Gnildahll Symphony Orchestra conducted by Witold Lutos-lawaki, playing his own work. (Thur) Barbican Hall.

Shiono Mintz, violin, Yeûm bronîman, piano. Brahms (Tue). Théâtre des Champs-Elysées

Catherine Collard, piano. Bes-

thoven, Schumann, Schubert, Schoenberg (Wed) Salle Geveau

(40/25233). Michel Dalberto, piano (Thur). Théâtre des Champs Elysées

Harvey at 50

Jonathan Harvey reached his works in this birthday pro-Soth birthday on Wednesday, and among the celebrations of creasing musical sophistication of that process, they also served to underline the trend the event was the concert proadcest in Radio 3's "Music in Our Time" series last Thurstowards ever greatar philoday evening. No other British composer sophical explicitness that has attended it. Inner Light I, the work for instruments and elechas combined electronics and instruments with greater flair and imagination than Harvey, tronics which started both processes in 1973, synthesises tape and live sounds in bold sweeps. There are inevitable echoes and at the same time no other contemporary composer of his distinction has pursued a per-sonal concept of the spiritual in his music with such of Stockhausen, but many viv-idly fresh liaisons of sound and outbursts of compressed solois-Catching eternity's suprise

. .

tic energy; and though subse quent pieces in the *baner Light* series involve elaborate texts, in technology's net has deter-mined the course of his develthe first has only the most npment for almost 20 years now, and while the three generalised of philosophical programmes. But hy the time

Viena

(Thurs).

Ensemble Kontrapunkte and

Neues Wiener vocal ensemble, conducted by Peter Keuschnig. Martin, Bischof, Francair, Musik-

of the short amplified cello solo Curve with Plateaux (1982) the plan is made far more specific, with each register of tha instrument identified with a distinct spiritual state. Though the invention, vividly projected here hy Gillian Thoday, seems strong enough to stand alone, the sceptical listener is at a disadvantage. The new work, receiving its first British performance hy the soprano Julie Monatt and

the Redcliffa Ensemble con-ducted by Edwin Roxburgh, was From Silence, commissioned from Harvey hy the Music and Cognition Group of Massachusetts Institute of Technology, and first per-formed there in February.

(Thur). All Teatro Comunale (Sand Maggio Musicale) (2779236).

Viadimir Spivakov conducts Mozart, with violinist Vladimir Spivakov. Viz Della Concilia-

Its array of hardware three synthesisers, pre-recorded tape, computer and mixing desk - generates some intricate, dazzling sound complexes, and glittering cocoons and connterpoints for the soprano's sensuous unravelling of a text hy the composer imsel

But the seeming disparity between tha musical means and the spiritual end remains for me as troubling as it does in other Harvay works; the exceptions, such as the enormously impressive Bhakti, achieve a finer balance between philosophical import and musical invention.

Andrew Clements

May 5-11

Mahler programme. Kennedy Center Concert Hall (Tue) (254 National Symphony Orchestra conducted by James Conlon with John Alar (tenor) and Barry Tuckwell (french horn). Shosta-kovich, Britten, Dvorak, Ken-nedy Center Concert Hall. (Thur)

Chicago

Chicago Symphony Orchestra conducted by Sir Georg Solti. Schumann, Villa-Lobos, Bee-thoven. Orchestra Hall (Tue) (435 0012). Chicago Symphony Orchestra conducted by Sir Georg Solti with Anne-Sophie Mutter (violin), Beethoven programme. Orchestra Hall (Thur) (435 0012).

Takeshi Inomata and Makoto Aruga: Pulsation. Bernstein, Xenakis. Suntory Hall (Mon) (495 5851) Tokyo Philharmonic Orchestra, Tokyo Philharmonic Urchestra Lella Cuberli (soprano), with Giuseppe Morino (tenor), con-ducted by Bruno Amaducci. Charpentier, Donizetti, Verdi, Rossini, Puccini. Tokyo Bunka Kaikan (Wed) (725 8883). Bisuko Tersda (piano) Chopin. Suntory Hall (Wed) (235 1861) Bradeky Quartet Shotakoyich Brodsky Quartet. Shostakovich, Schubert, Borodin. Kan'i Hoken Schloert, Boronn, Kan i Hosan Hall, Gotanda (Wed); Haydn, Beethoven, Janacek, Parthenon, Tama (Thurs) (371 5101). NHE Symphony Orchestra, Die-trich Fischer-Dieskau, Julia Varady. conducted by Wolfgang Sawallisch. Brahms: Deutsches Requiem. NHK Hall, Shibuya (Thurs) (465 1781).

commercial progress. The Prince of Wales will support these joint British Council/corporate sponsor/arts company initiatives where possible, as will other members of the Royal family. (Princess Margaret recently watched the iects. London Festival Ballet in Egypt which was underpinned by Thomas Cook.) And the Prime Minister, too; she is the star of a video produced to sell tha concept, a gesture which follows the first increase in the Council's grant for over a decade. The arts are turning into one of our most effective

invisible exports. London's reputation as the greatest arts centre in the world is under threat following its failure to attract some of the major touring art exhibitions. The latest loss is the Gauguin show, currently pack-ing them in in Paris. The Royal Academy does its bit, hut lack of funds, of vennes, and of imagination is the main reason for missing ont on the

blockbusters. This could change with the opening of the exhibition gallery in the new Sainsbury wing of the National Gallery in 1991. Already the Galiery is planning its first shows there -and negotiating with sponsors. It hopes to kick off with pictures from the Royal collection, which is certain to be a tremendous crowd puller. Another favoured project is for a Rembrandt exhibition drawing on collections in Holland, Germany and the UK, visiting all three countries and offering a perfect vehicle for a company with pan-European ambitions in that fateful year, 1992.

The National Gallery has done well in its quest for spoosors since recruiting Hugo

The Minerva Theatre, the studio and rehearsal space for Chichester Festival, opens this month, a triumph for sponsorship and for self help. The \$2.5m project has been funded from Chichester Thearre's profits, its friends, and Nissan UK, which put up £500,000. The first season of seven productions is backed by IBM with £25,000, while Southero Electricity has pledged £30,000 over three years.

The attraction of the studio the attraction of the schold the schold theatre, according to director John Gale, is that it "gives us the opportunity to fail." With the main house needing attende dances of 80 per cent to keep the unsubsidised venture in the hlack few chances can be taken on the main stage.

The Business Sponsorship Incentive Scherie has claimed its 1,000th first time sponsor, Beefeater Steakhouses Europe, which is supporting the first ever children's festival in Cum-bernauld. The BSIS will back the commitment with £3,000 of taxpayers' money. In five years the Scheme has brought in almost £25m for the arts, £17.23m from business and £7.59m in Government awards.

But a welcome to the recent announcement that arts companies can now qualify for two BSIS awards each year has been quickly tempered by the realisation that the annual limit of aid remains £25,000.

Antony Thorneroft

Schweizingen Rococo Theatre presents a festival from April 29 to June 9 with a mixed programme of opera, chamber music and theatre. The Cologne Opera is represented by two Rossini operas in Michael Hampe's productions. Berlin commemora the 125th anniversary of Richard

(47203637). Orchestre de l'Opera de Lyon. conducted by Kent Nagano: G. Mahler and J.S. Bach orches-trated by Mahler (Wed). Richard Strauss, Mahler (Tus): Chatelet (Josef 200 The Igon anniversary of Accard Strauss' birthday with Ariadhe auf Nazzs, produced by Erhard Fischer. Other highlights are Lieder recitals by Lucia Popp, Rene Kollo, Eva Lind, Francisco Araiza and Tom Krause. The concerts facture Shutters'. concerts feature Stutigart's Radio Orchestra, Virtuosi Saxon-(45632030). Ivo Pogorelich. Brahms, Liszt, Chopin. (Wed) Théâtre Des Champs Elysées (47205637). Orchestre de Paris with Andras Schiff as conductor and plannso-loist, Andre Chapellitch, brumpet. Bach (Wed, Thur). Salle Fleyel (Asserbed) tae, conducted by Ludwig Guettler, Württemberg Chamber Orchestra with conductor Jörg Faerber, Camerata Bern. Schlos splaiz, 683 Schweizingen (06202/ 4933).

(46830796). Christa Ludwig presents Jean-Luc Chaigmaud, baritone (6.90pm),Peter Schreier, tenor recital, Kart Engel, piano (8.30 pm),both concerts Thur, Chatelet (4009793) Aldo Ciccolini (piano) plays Debussy (Mon). Francisco Araiza (tenor) accom (Thur).

Badn Lupu (piano) playing Bach, Mozart, Brahms and Schubert.

Martin, Bischof, Francaix, MUSAK-verein (Mon). Haydn Simfonietta, conducted by Manfred Huss. Mozart, Weber, Liegei, Haydn, Musikverein (Wed). Ensemble Wien. Bach, Rossini, Lanner, Mozart. Musikverein (393904) Milan Schwetzingen Festival

ARTS GUIDE

New York

Rugenia Zukerman violin recital with Anthony Newman (piano). J.S. Bach, Handel, Telemann. New York Public Library (Mon). New York City Symphony con-ducted by David Eaton with Benal Tanirlsever (piano). Bern-stein, Bartok, Beethoven. Carne-gie Hall (Tue). (247 7800). New York Philharmonic conducted by Erich Leinsdorf featur-ing Dvorak, Huse, and Busoni. Avery Fisher Hall (Tue) (874 6770L Jose Carreras tenor recital. Mixed programme, Carnegie Hall (Wed), (247 7800) New York Philharmonic con-

ducted by Zubin Mehta with Midori (violin). Dvorak, Hindemith. Avery Fisher Hall. (Thur). (874 6770).

National Symphony Orchestra conducted by James Conlon,

zione (Mon, Tues) (6541044). Teatro Olimpico. A recital by (254 3776). pianist Jorge Bolet, playing Debussy and Chopin (Wed)

Tokyo

Washington

Florence

paniet by Jean Lemaire, singing Massenet, Debussy and Fauré

Teatro Alla Scala. Carlo Maria Giulini conducts Schumann's

A Minor cello concertowith Mario Brunello and Bruckner's 7th Symphony. (Mon) (80.91.26).

FINANCIAL TIMES

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Monday May 8 1989

taxation of private motoring. It ehould, however, be possible to

Windscreen discs

Such a charge could be cal-culated on the basis of distance travelled, place of use, or time of use - or all three. It could

The cost of a journey

THE COSTS of congestion would be on many minds in London this morning even if the city was not threatened by strikes and stoppages on its Underground railway network. As in other large conurbations - Tokyo, New York and Rome are outstanding examples -motorists sit in traffic jams telling themselves that some-thing must he done. In London the road-space seems to those the road-space seems to those of us who use it to have sbrunk over the past few years, while in the south-east of Britain the network of inter-city motorways is insuffi-ciently developed to meet the level of demand generated hy a period of rapid economic growth. ehould, however, be possible to overcome the political obsta-cles to a development that would make economic sense. British motorists pay a tax on their use of petrol, plus a vehicle licence fee. It would be feasible to abolish or reduce the latter in return for a per-journey charge. growth.

16

The need for further investment in all forms of transport infrastructure is therefore regarded as self-evident; Mr John Major, Chief Secretary to the Treasury, felt obliged in a speech last Friday to highlight speech last Friday to highlight the Government's increased expenditure on both road and rail. Yet while public spending in the form of capital works and subsidies may well be a necessary part of the provision of transport services, it is plainly not in itself adequate to meet the mushrooming

Further mechanisms

Two further mechanisms are now under discussion. The first is the opening up of road-building to the private sector. The Transport Secretary, Mr Paul Channon, floated the ides of private roadbuilding at the of private roadbuilding at the Conservative Party conference last year. One obstacle that has stood in the way of proceeding with what would presumably become private toll roads has been the so-called "Ryrie rules," under which the Trea-sury bas deducted the value of privately financed projects from departmental budgets. Mr Major has now indicated that Major has now indicated that these rules will be relaxed. This frees Mr Channon to bring forward plans to put new roadworks out to tender. It is unlikely that be will propose the establishment of a Superhighways plc, but a few moderately ambitious proposals may

cally be high. The calculation to be made is whether the be expected. The second possibility bas

"NOW is an ideal time to start in business. There's a lot more help. It opens the way for people like me." Temporarily unemployed after a series of jobs in the cleaning industry, David Rafferty, 34, went into business on his own. Starting with a contract to clean Edinhurgh's telephone kiosks, Snperior Cleaning Specialists has grown into a company which, in just less than two years, has a turn-over of \$1.3m and employs 110 people. "Ten years ago I don't think I would have thought of doing this. The eco-nomic and political climate was very different and the management buyout different and the management obligin was in its infancy." After 25 years of working for others in the publishing industry. David Mor-timer, 50, in January became the boss of his own business. He led a manage-ment buyout of Macmillan Intek, a provider of training courses employ. mechanism should be used to mechanism should be used to ration city-centre road-space. "We are against it if it can be avoided." Mr Channon said last week, "but if it cannot be avoided, then it has to hap-pen." The Traneport Secre-tary's caution is underetand-ahle: the Dutch Government broke up in disarray last week over an attempt to increase the taxation of private motoring. It

provider of training courses employ-ing 25 people and with sales of £1.7m, from Macmillan Publishers.

"I was confident the idea would work but it couldn't be done half-heartedly. I packed in my job and worked on it full

packed in my job and worked on it juit time. It was very difficult at first hav-ing no income coming in." Tired of the "hlue rinse brigade," Sharon Barter, 28, gave up hairdress-ing and started a business that pub-lishes directories of services and prod-ucts available for home delivery. Her first directory, covering Edgware, north London, produced advertising revenue of more than \$4,000, and she is now expanding into other areas.

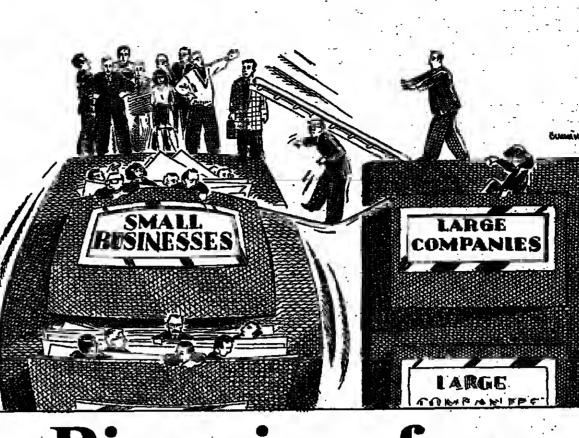
hese three snapshots of the small business world reveal not only the powerful attrac-tion of running one's own business, but that the dream of inde-

be tried initially, as an experi-ment - in a designated area in the very centre of London business, but that the dream of inde-pendence is being acted on by people from a wide range of backgrounds. In the immediate post-war years Britain appeared to be moving inexo-rably to a big business economy. Large companies enjoyed economies of scale, gave greater security to their employees and made life easy for the economic planners. The 1970s saw the beginning of a by requiring the display of windscreen discs showing that a predetermined fee had been paid. In theory, it could be expanded by means of using electronic detectors that would

register every passing car. This technology has been tried in Hong Kong; it was withdrawn on the ground that the police computer would record everyeconomic planners. The 1970s saw the beginning of a more critical attitude to big business as the economy faltered. The outlook for small businesses was gloomy, however; in 1971 the Bolton Commit-tee Report foreast the almost total one's journeys and where-abouts. Alternative technology that does not intrude into civil tee Report forecast the almost total demise of the small manufacturing liberties is, bowever, available in the form of anonymous "smart cards", which could be firm in Britain unless government that has been done since to improve the lot of small business owners. In 1979 David Birch, a professor at "smart cards", which could be charged up at prepayment meters; roadside detectors could deduct fees from these and signal to a billing centre only if the cards were empty. It is not possible to say bow this would work in practice, since the elasticity of demand for mod-space is uncharted.

the Massachusetts Institute of Techthe US were being created by small businesses. Since then interest in the smaller firm has spread around the world. But it has been Britain that has seized most enthusiastically on the small firm - usually defined as employing up to 200 people - as a

since the elasticity of demand for road-space is uncharted. Existing attempts to ration by means of increasing the charge for time parked beside meters, or through the use of wheel-clamps, do not seem to have deterred large enough numbers of drivers to clear the conges-tion. The price for the use of a mile of London road at a time of peak demand could theoreti-cally be high. The calculation employing up to 200 people - as a way of reviving the economy. The Government has financed pro-grammes such as the Enterprise Allowance Scheme (used by both Mr Rafferty and Miss Baxter) to help the unemployed into business, and the Loan Guarantee Scheme. The private . sector has funded enterprise agencies sector has funded enterprise agencies and schemes such as Shell's Livewire ct to back The lowering of tax rates, the weaken-ing of the power of the trade unions and the sharp growth in the number period from 2m to 2.9m. Further evidence of the revival of what the Government calls the of advice networks for small firms "enterprise culture" can be found in have combined to make starting up in business a rewarding option. Measuring the impact of these the sharp increase in the numbers of management buyouts, in the surge of companies obtaining a quotation on the Unlisted Securities Market (USM) incentives is difficult, however. Unlike large corporations, small busi-nesses are difficult to locate. They and in the expansion of the venture and in the expansion of the venture capital industry. Nowadays big company managers are much more inclined to regard run-ning their own business as an accept-able route to an attractive way of life, says Rob Goffee, lecturer in organisamay be seeking to avoid the tax and social security authorities; they are often too small to be detected by con-ventional statistical methods. The Government is reluctant to collect



Big prizes from small packages

more information because, it says, this would involve more red tape. For this reason statistics on small

firms are patchy and frequently out of date. They nevertheless show that date. They nevertheless show that small firms play an important part in the economy. In 1976, according to one study, firms employing fewer than 200 people accounted for 96 per cent of all British businesses. These firms provided 35 per cent of all pri-vate sector jobs and 20 per cent of business turnover. Small business programmes launched since then programmes launched since then hava increased these numbers, though by how much is uncertain.

though by how much is uncertain. One reliable measure of new firm starts is the number of businesses registered for value-added tax. This has been rising at a record rate of 1,000 a week (after allowing for dere-gistrations) in recent months, twice the average level recorded throughout the 1980a the 1980s.

Between 1980 and 1987 tha total number of VAT-registered businesses rose by 200,000 to slightly more than 1.5m. The number of self-employed people (less than half of whom regis-ter for VAT) rose over the same

OBSERVER

tional behaviour at the London Business School. In the 1960s most saw a professional career, accountancy or the law, as more desirable. Small business folk heroes are

emerging. Sophie Mirman, the former Marks and Spencer typist who founded Sock Shop International, Anita Roddick, who challenged the conventions of the cosmetics industry to set up Body Shop and Bob Bouton to set up Body Shop, and Bob Payton, the American marketing man wbo persuaded the British to eat Chicagostyle pizzas, have come to epitomise the new breed of entrepreneur.

'Small businesses help discipline the labour force. If they get it wrong they go bust. It is a brutal school'

politicians used to think all small firms were engaged in manufacturing; that they employed people; and that they were innovative. Now we know that most do not manufacture; have no employees beyond the owner; and

are not very innovative." One study' of manufacturing com showed that out of every 100 compa-nies just four would create half the total of jobs generated by the group over a decade. "In terms of job creation only a few firms matter," says David Storey, director of research at Warwick University Small Business

Centre. What sort of jobs are these compa-nies providing? Left-wing politicians have derided the present Govern-ment's small firms policies as creating a nation of hairdressers and namnies. Small companies find it easier to start up in services, because such business requires less capital. But for some this is only the first step. They move on later to making prototypes, small batch manufacture and finally. in

And yet, 10 years after Mr Birch's batch manufacture and finally, in American studies set the seal of some cases, to large scale production. approval on the small firm, what has "People take an adversarial batch manufacture and finally, in approach to manufacturing and ser-vice jobs," says Graham Bannock, a ¹ Fast growth business in northern England, David Storey, Small Busi-ness Centre, Driversity of Warwick, small firms consultant. "In fact they are complementary. You need both." As more and more services become exportable the distinction between service and manufacturing jobs becomes less important. One Europe-wide study² found that the jobs created by small companies were not ideally suited to people on the dole. Small businesses tend to provide part-time jobs which are less permanent and which offer lower pay than the big industry jobs the unem-

Charles Batchelor reports on the growth of the UK's enterprise culture

ployed have left. The jobs are unlikely to appeal to the men who dominate the unemployment registers, it con-cluded.

ployed have left. The jobs are unitsafy to appeal to the men who dominate the unemployment registers, it con-cluded. If redundant large-company work-ers are unlikely to be attracted to jobs in these small companies they are even less likely to want to set up on their own. BSC Industry, which was set up to revive the economies of regions hit by the closures of steel of the companies it backs have been set up by redundant steelworkars. Not everyone agrees that this mis-match between jobs and job-seekers is important. "Small husinesses play a role in economic development in both the developed and the developing world," asserts Mr Bannock. "They help train and discipline the labour force, both managers and employees. If they get it wrong they go bust. If is a brutal school but it works." Small companies frequently fulfil the role of scavenger in the economy, says Mr Bannock. In the same way as they use second-hand machinery no longer wanted hy large companies, they often take on workers who, because of their age or lack of educa-tion, could not expect to get a job with a huse-chip employer. Infil the publicity given to "USM made fortunes by floating their com-panies on the USM – running a small fim had carried a negative image. It had traditionally been associated with long hours of work and high stress keen marriages. In fact, says Mr Stan-worth, a recent study' has shown the opposite to be the case. Small busi-ness owners tend to be healthier and to have a lower divorce rate than the promanies and on the other fast-grow-ing USM stars – results from the spin size of the companies classi-fied as small businesses. Alongside the 4 per cent which grow are the 96 prospites the yreach inedium size, employees a decent living while a small number of high flyers will make ther mark internationally. Worryingly, there is living schifts of employees. And once they are big employing between 200 and 500 employees. And once they are big employees. And once they are big employing between 200 and 500

employing between 200 and 500 employees. And once they are big enough to be attractive to bigger corporations, they tend to be swallowed

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np by takeovers. So far: larger firms have been happy to provide finance and staff on secondment to the Enterprise Agencies which offer advice to small firms - in part to ease concerns about the jobs they have been shedding. They may be less willing to do so, however, as the labour market tightens in the 1990s and they find themselves com-peting with small businesses for the

pering with small businesses for the same employees. While small business may not match up to the extravagant claims made by its more enthusiastic sup-porters, it provides independence for many and has taken an important stake in the economy. The progress it has made in recent years is impre-due but it will abmost extraint how sive, but it will almost certainly have

indeed. This is that the price levels are even higher.

Fudged issues in Canada

Mr BRIAN MULRONEY'S **Progressive Conservative Party** won a second term in Canada last year on one issue: free trade with the US. Working closely with various business lobby groups, the Conserva-tives persuaded the electorate that bringing down the remaining barriers with the US would bring lower inflation, wider choice and, above all, jobs to Canada.

Mr Mulroney's Government has done well to reject the economic nationalism which, under Liberal governments, has characterised the country since the early 1970s, to the detriment of the economy and business. In his first term, for instance, the Government's first act was to dismantle the spparatus which restricted inward investment.

In other respects, however, his Government is not typical of 1980s-style conservatives. It has made few attempts to cut Canada'e extensive social programmes, nor has it cam-paigned to reduce the Government's role in the economy. Indeed, Mr Mulroney has repeatedly emphasised that the country's social and regional programmes - "a sacred trust," he called them in 1984 - are safe with him.

Taxation rises

Last week's budget gave lit-tle sign that this will he reversed. The policy changes contained in it were skewed towards rises in taxation. New taxes will generate an extra C\$3.6bn (£1.79bn) in reve-nue for 1990 and C\$7bn in 1991. while federal spending cuts total C\$1.5bn in 1990 and C\$2bn in 1991. But this will not be sufficient to prevent the Cana-dian fiscal deficit rising again for fiscal year 1990 to a proj-ected C\$30.5bn, from C\$28.9bn in 1989.

The Conservatives have made some progress on the def-icit, which has been brought down from 7.4 per cent of gross domestic product in 1985 to 4.8 per cent. But this was assisted by the prevailing winds of the economy. which produced strong growth of revenues.

The Covernment's political will to make painful spending decieious evaporated in 1985. when its poll ratings began to fall and an attempt to de-index pensions led to a revolt among Canada's senior citizens.

There is little sign in the budget of Ottawa's nerve returning. The burden of the cuts - C\$2.7bn over five years

- is concentrated on defence, including the cancellation of a fleet of nuclear submarines. This will cause little political outcry, though it will blow a big bole in the high-profile 1987 Defence White Paper. Foreign aid accounts for another

Further action

Further action on the deficit will probably be nacessary, given the continuing rise in debt servicing costs. Federal debt has continued to rise and the deadweight of interest payments remains the besviest burden on expenditure. Canadian business, which faces a rise in sales tax, a new

tax on large corporations, and must take up the burden of funding unemployment insur-ance, will find the bndget highly unsatisfactory. Higher taxation makes Canada a more costly place to do business; it thus undercuts some of the bondits, which some taxation benefits which free trade brings. Free trade was a watershed

for Canada. After a century of debating the issues, the country decidad that its future could be assured without the trappings of protection.

The deficit, the unacknowledged issue at the last elec-tion, faces the country with another decision: does it want to see higher taxes, is it con-tent to allow government deht to grow, or is it prepared to tackle social spending?

of white Munich sausages, with mustard on the side. But don't hlame the stock-The Government, to its dis-credit, fudged these questions at the election. Mr Mulroney promised that social and brokers. All they did was bor-row the photograph from the Goethe Institute, the guardian of German culture, for once regional programmes were safe under the free trade deal, though the definition of subsi-dies under the agreement has not been determined. He also displaying its hearty, non-cere-hral side. promised that free trade would bring jobs. But the economic reality is that if there is no cut in eocial programmes, then taxes will probably have to rise But there is no greater gut again and that will mean fewer issue in Germany than ambiva lence to the Soviet Union. The

jobs. Mr Mulroney's election

promises will come back to haunt him.

Heavens vorbild

> It is becoming increasingly obvious that the Germanspeaking world is going through something of an image crisis. This doesn't apply, of course, to the Swiss and won't,

stocks of different countries.

Its cover image of France

is a striking aerial photograph

of Paris on a glistening sum-mer's day. Spain is graced by a picturesque monastery build-ing, framed by dark trees and s hazy sky. Investors inter-ested in Italian trends and fore-

casts are lured by a semi-ab-

stract painting by de Chirico. But West Germany does not

get, as it might have expected, a depiction of the fairy tale Bavarian castle at Neuschwan-stein, or a street scene of tim-

bered village houses, or a pic-ture by Dürer. Eschewing the evocative, BDZW sums up

West Germany in the very plain and simple terms of the stomach – a plateful of salty pretzels, a thick mug of foam-

Lenin didn't

trouble is that Gorbachev has

changed perceptions so much

that a once easy target has become elusive. Confusion apparently exists unless its army decides to introduce a multi-purpose fork. But West Germans and Austrieven in the very rational mind of Mr Edzard Reuter, chairman of Daimler-Benz. He has ans are doing a lot of navel-gazing these days. Foreigners, of whom M. Thatcher and M.

recently been losing his cool over a phrase - the "military industrial complex." Not sur-Gorbachev are but two, are prisingly, the words have been bandled about a lot of late in relation to Daimler's probable takeover of MBB, which will equally consumed. Take, for example, tha case of Barclays de Zoete Wedd, the London stockbrokers, which has just produced a chunky booklet, called its give the combined company an enormous chunk of German equity working list, on the

defence orders. Mr Reuter first denounced the term as part of the vocabu-lary of modern left-wing terror-ists, whom German industrialists have come to have good reason to fear. But recently he has traced its origins to

Lenin from whom, he says, it was picked np by Stalin. This really won't do. The idea was actually coined by the American sociologist Thorstein Veblen in Imperial Ger-many and the Industrial Revolution written at the end of the last century. President Eisenhower and later the econ-omist, J. K. Galbraith, gave it the international currency it enjoys today. Not a Russian nor a communist among them.

Marxed down

On the other hand, the city of Bonn has belatedly decided to follow a Moscow lead and consign Karl Marx to the dust-hin of history. Karl Marx street, until a few weeks ago just off Bonn's main drag, has suddenly become Olef Bolma suddenly become Olof Palme street, in honour of the assassi-nated Swedish Prime Minister.

The name change is not apparently designed to save President Gorbachev's blushes when he visits Bonn next month. Rather it is the fruit



Co-operation and Development which has constantly had to explain to its contacts in developing countries that it really is in West not East Germany.

Momping

E Somewhere in the middle Somewhere in the minnle of this interpretative muddle lies West Berlin and therefore Walter Momper, leader of the "red-green" coalition which now governs the city. He was in London last week offering a twist of his own to Gorbachev'e now-famous vision of the Common European House "Many homes in Berlin,"

he told an audience at Chatham House "built to the city's traditional architectural design, have what we call a Berlin room.' This is a room with doors leading off it to all the other rooms. We would

like our city to have such a

been the real contribution of tha small business sector to the British economy? It is true that while large companies have been shedding employees small firms have been the only creators of jobs, but are the jobs that small firms provide suitable for those made redundant by big employ-ers? Is running a small business as attractive as working for a large employer?

"Small business is not an economic panacea," warns John Stanworth, director general of the Small Business Research Trust. "Ten years ago the

function in the European

Right on top

But if the West German

Though currently a junior coalition partner with the

and nationalist.

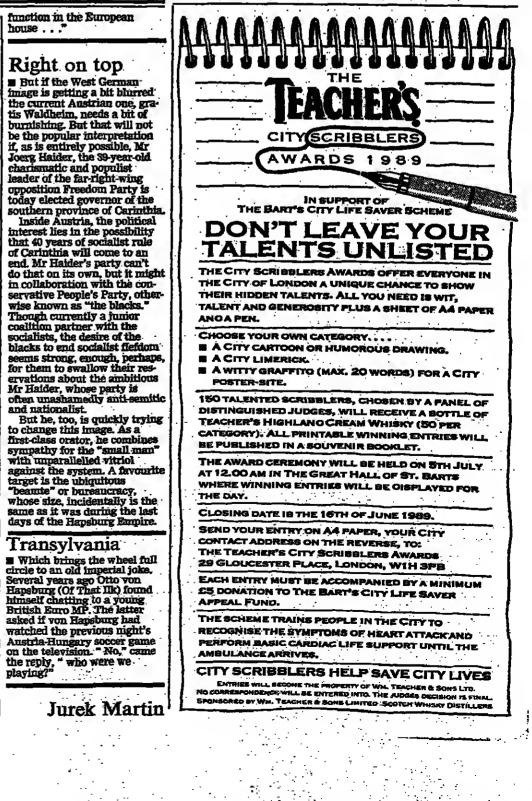
Transylvania

the reply, " who were we playing?"

house . . .

Small and medium-sized enterprises and employment in the EEC countries. David Storey and Steven Johnson, European Commission,

³ Enterprise in Britain. A national profile of small business owners and the self-employed. James Curran and Roger Burrows. Published by Small Business Research Trust.



Julian Ozanne looks at a country demoralised by war, internal division and political mismanagement The creeping paralysis of Sudan

n recent days, Africa's biggest state has been given another chance to resolve its six-year old civil war, and pull itself, back from the brink of self-destruction.

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If the ruling politicians can defy recent history and muster the politi-cal will to react favourably to last week's offer of a unilateral one month ceasefire made by Mr John Garang, leader of the rebel Sudan People's Liberation Army (SPLA), there may be

hope yet for Sudan. If accepted, the ceasefire would also give new life to the flagging UN stock-piling of food supplies in the south before the rains due later this month. Should this fail, a repeat of last year's tragedy — when 250,000 people died of starvation as a result of the civil war seems inevitable.

Much depends on a change of heart in Khartoura and on the peace talks. Unfortunately, past experience offers, little hope for a country demoralised by war, internal division, and mis-

Sudan is unable to service its \$12bn, (£7.3bn) external debt. Unwieldy incompetent state-owned corporations are a drain on scarce resources. The infrastructure is crumbling. Ports and railways run at less than 20 per cent capacity, buses and trucks grind to a halt for lack of spare parts and roads are left to deteriorate. The fragile

are left to deteriorate. The fragile political system lurches from one cit-sis to another, seemingly paralysed by bickering and factional squabbles. Many of the country's problems are deeply moted. Administering a poor country of 2.5m sq Km, 11 times the size of Britain, is no easy feat. The task is imade more difficult by the nation's debilitating racial and reli-gious divisions — largely, but not exclusively, between an Arab Moslem north and an African Christian south "Allowing a democratic system to "Allowing a democratic system to continue in Sudan with the problems of underdevelopment, external inter-ference and internal division is an uphill struggle," said Mr Sadiq el Mahdi, the Prime Minister, in an

interview earlier this year. The last political crisis was instructive. On February 20, the ill-equipped army, following a series of humiliat-ing defeats by the rebel SPLA, issued a one-week ultimatum. Exasperated. with civilian misrule and the apper-ent inwillingness of the Government to negotiate peace, the army demanded acceptance of a peace initiative agreed last year, a balanced foreign policy, a broadening of the ruling coalition and material support.

for the army. After five weeks of compremises, Mr el Mahdi formed a new coalition . Government, his fourth in less than three years, and began making concil-; latory overtures to the rebels. But critics believe the Government will-continue to be plagued by internal divisions and be unable either to so. Instead, he began to talk of a phil-

resolve the war or to face up to Sudan's other problems. This is a pattern of politics which has repeated fissif regularly through. Sudan's post-independence history, but it has become more pronounced since 1986 under. Mr el Mahdi. One reason for the lack of meaning.

ful action in Khartoum is the weak Ill action in Khartoum is the weak coalition parliamentary system which was produced by the general election in 1986. No party won an overall majority although the Prime Minis-ter's Umma party emerged as the nar-row winner with 99 seats in the 301-member house. The second largest party, the pro-Systian Democratic. Unionists (DUP) wor 63 seats. There is also a more deep-rooted unionistic the political parties them:

problem - the political parties them-selves. With the exception of the fun-damentalist National Islamic Front, they are nothing more than family grouping backed by regional and reli-gious groups. Neither the Umma party, back on the Ansar religious sect, nor the DUP, which draws its support from the Khatmiya sect, have any coherent political ideology, or any national support on which to build a givenment. Both parties and their followers have been at each oth-ers, throats for more than a century. Such a vacuous and amorphous political system places a high political premium on strong, courageous lead-ership especially in times of crisis. Last week's ceasefire offer will once again test the Prime Minister, who has shown very few signs of strong . leadership in the last three years. There are two explanations for Mr

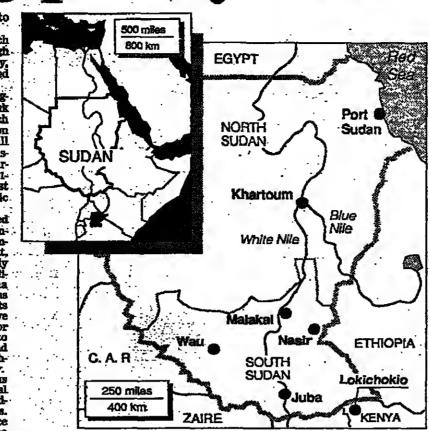
el Mahdi's inability to face up to the

the incharts manney to face up to the nation's tragedy. The uncharitable view is that he is preoccupied with holding on to power at any cost; he is swayed by tribal and religious prejudices and, despite a veneer of modern western political attitudes, is privately a Moslem fun-damentalist bent on building an Islamic state in the north and obliterating the Christian south.

The charitable view is that he has pent three years pursuing an impos-ible national consensus on the issue of Islamisation of Sudan.

of Islamisation of Sudan. It was the introduction of the noto-rious Islamic "September Laws" by the former dictator, General Jaafar Nimeiri, in 1983 which restarted the civil was in the south after 11 years of peace. Mr. el Mahdi was jailed for opposing the introduction of this code of Moelem law (Shari'a) and contin-ued to speak out against it after the overthrow of Nimeiri in 1965.

Once installed as Prime Minister, however, Mr el Mahdi's views became more, amhiguous. It is debatable whether his promise to abrogate Shari a was ever genuine and it rapidly became apparent that he would face political suicide with his Ansar



osophical solution which would recon-cile the demands for Sharl's with the

large non-Moslem population. Few Sudanese believe such a com-promise exists outside the mind of the Oxford-educated Premier. Moslem acadenics opposed to Shari'a say Islam does not recognise equality between believers and unbelievers, and southerners fighting the civil war are unwilling to accept any deal which includes even partial Shari'a.

Whether one accepts the charitable or uncharitable view of the Prime Minister, the fact is that for the last three years his administration has ducked the major problems facing the country: peace and the economy. In the 1970s Sudan, a fertile agricul-

In the 15/05 Studen, a fertule agricul-tural nation, was being cultivated as a possible breadbacket to provide the Arab world with most of its wheat, sugar, vegetable oils, feedstuffs and meat. But in the last three years the country has been unable to feed itself. and has become dependent on emergancy relief supplies.

An unrealistic exchange rate, a sophisticated black market and the inability to service external debts have forced the formal economy to a near standstill. Even if Sudan had the political will to service its debts it would be hard-pressed to do so. The World Bank estimates its debt service ratio at 110 per cent of exports.

The war has also stopped the exploitation of Sudan's most valuable natural resources – oil, water, land and forestry, most of which He in the south. Two projects vital to economic revival have also been shelved: exploitation of oil finds in the south and completion of the Jonglei canal, designed to tap the Nile for irrigation. Western donors who provide half of recurrent expenditure are becoming impatient. The Dutch publicly linked a \$40m cut in aid this year to lack of progress towards peace. The British are slowing down their assistance and both the US and Canada have recently threatened to cut aid. There is also growing alarm

amongst Sudan's neighbours and in the Arah world. The receot bombing by a Mig 21 of the the Kenyan town of Lokichokio, on the Sudanese border, is a sign that Sudan's instability is spilling over into the region. Although there is no concrete proof that the bombing was the work of Sudan, it is the only country in pos-session of Mig 21s (provided to the Sudanese air force by Libya) and makes regular bombing raids against rebel targets in the area.

Clearly, the conflicts in the Horn of Africa are interlinked. Ethiopla pro-vides assistance and bases to the SPLA. Sudan, for its part, allows the

Eritrean and Tigrayan rebels to use Port Sudan.

On the international front, Sudan's ties with Libya and Iran are being watched with great anxiety in the Arab world, particularly by Egypt, Jordan and Saudi Arabia.

Federal Reserve's annual report, containing a warning about the severity of the US currency payments deficit, the Egypt, under pressure from its own Islamic militants, is especially ner-vous about an unstable Islamic state on its border, especially given Cairo's dependence on the waters of the Nile. world's central bankers should indeed be facing a dollar prob-lem. But the problem is one of Close Sudanese ties with Libya raise strength, not of weakness: spe-cifically, to prevent the dollar rising above the DM 1.90 level the spectre of hostile encirclement to the west and south. Egypt is a key player in the internal affairs of Sudan, having widespread support in both that is popularly supposed to be near the top of the Group of Seven's reference range for the the army and the DUP.

To many outsiders the way out of the mess seems obvious: negotiate US currency. the mess seems obvious: hegotiate peace with the rebels along the lines of the 1972 agreement which ended the country's previous civil war by giving the south regional autonomy and equality of development. Only with such an agreement can economic reconstruction set under way come. But consider the history of the last decade. The rise of the dollar in the first half of the 1960s carried on longer and went to dizzier heights than anyone looking at the widen-

reconstruction get under way. But even if Mr el Mahdi can react positively to the latest ceasefire offer and convene a national constitutional conference to negotiate peace there is no certainty that it will bear fruit.

the dollar at last started to fall Shari's will dominate proceedings. The SPLA will continue to insist on its abrogation - politically impossi-ble for Mr el-Mahdi, as head of the Ansar and descendant of the legendin spring 1985, the US Treasury rightly or wrongly feared that the process was about to stall and inaugurated the Plaza Accord to push the US cur-rency down further. There was roughly one year - 1987 ary Mahdi who disrupted Anglo-Egyp-tian rule in 1885. Tribal antagonisms in the south would also be high on when excessive dollar weakness concerned G7 authorities. Since then the problem has the agenda.

Many southerners fear a settlement which delivers too much power to the SPLA, dominated by the large Dinka tribe – because of antagonism from other tribal groups. And if the rebels continue to threaten the few garrison Gerald Corrigan, president of the New York Fed. The exporttowns left in government hands, the temptation to push for complete secession will grow. and savings-investment gaps (all amounting to much the same under national income

Given the complex and deep-rooted nature of the obstacles to a peace set-tlement it is very difficult for Mr el Mahdi to respond to the recent over-

tures from Mr Garang. However, a response might come from the army, exasperated by the Government's inaction. Three times in Sudan's post-independence history the army has taken power when their patience with political bickering reached boiling point. Might it intervene once again? Given the scale of the problems and

the soldiers' preference for a democratic civilian system, senior officers are reluctant to move. But given international and regional attention, given the recent fall of several government garrisons to the SPLA and the increasing strain on the economy, the army will be watching very closely to see how Mr el Mahdi deals with the ceasefire offer. The conse-quences of further prevarication could be disastrous.

LOMBARD 'Imbalances' are in the mind

By Samuel Brittan

IT IS ONLY par for the course

that in the days following the

publication of the New York

Of course there will be phases of dollar weakness to

ing US trade gap and its only modest relative inflation per-formance ever supposed. When

again been that of successive

bouts of dollar strength. The well-known orthodox

import, spending-production

accounting) are the gravest problems facing the US and

lobal economies.

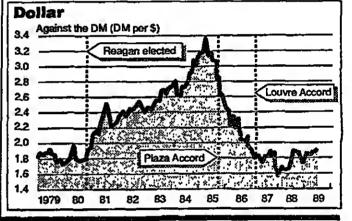
budget deficit is a necessary but not sufficient condition for a cure. One other condition is a fall in the external surpluses of Japan, Germany and some of the newly industrialising countries. A third condition, at which official bodies can only hint, but which outside economists like Martin Feldstein can shout from the house-tops, is a substantial depreciation of the dollar.

The problem for the unbe-liever is to spot in which of the possible weaknesses in the orthodox structure the vulnerability lies.

The dollar bulls do not have the same comprehensive body of analysis on which to draw as the bears. So they have to grasp at straws, like the falling dollar price of gold, the behaviour of a strange new entity called the "world dollar base", or the estimates of purchasing power parity by Prof Ronald McKinnon of Stanford suggest-ing a DM 2 and Yen 150 dollar estimates which look much less weird than when they first appeared.

In this sea of uncertainty one should fall back on genuine fundamentals. These are that net investment flows between countries are normal and that consequently there is no reason why the current balance of payments should be anywhere near zero. Countries with savings surpluses perform a service in keeping down world real interest rates. The true imhalances are in the minds of mainstream analysts - who may have to answer to the tribunal of history for their part. however unintended, in leading credibility to the forces of US protection and anti-Japanese hysteria.

The elimination of the US



17

Professorial pay

1

From Professor William Brown. Sir, Government ministers reported to be concerned about (April 29) are mistaken in their abilities, overseas or believing that selective salary away from our profession, that rises will meet our prohem of makes the profession, that recruitment and retention. The true cause is that the UK academic salary structure as'a

whole is absurdly low. Many current Cambridge professors have, like myself, been willing to take salary cuts. on moving from chairs in other universities, because of the academic quality of the staff and students and the consequential benefits for our research. But to sustain good research we must recruit and retain the talented young people with whom one can work. The tragedy is that, for

From Mr Bill Morris. them, the UK university sys-tem now offers derisory sala-Sir, Your report (May 5) on consideration by port employ-ers of the TGWU (Transport and General Workers Union) ries and mostly short-term ballot of our dock worker members is in error in saying that the latest issue of our principal

LETTERS

serious thought to following journal "contains three pages their example. on the union's official policy Nowadays there is little on the dock labour scheme." Nowadays there is little point, even in Cambridge, in trying to persuade the bright-est undergraduates to contem-plate an acidemic career, so poor are the salary and Joh opportunities. The long-term consequences of this for research, for education and for the education of our educators, can only be extremely serious. inevitably mention the dock labour scheme and the dis-William Brown, Faculty of Economics and Poli-

with the post employers is the protection of job security and working conditions for dockers when the scheme is abolished. I have said elsewhere (and tics, University of Cambridge

Concern for UK dock workers

suspect I must explain again) that there is little prospect of persuading the Government not to scrap the scheme. The TGWU is demanding that the port employers (who cam-paigned for the scheme's aboli-tion) negotiate with us to establish national conditions that are no less favourable on the dock labour scheme." The current T&G Record car-ries two substantial reports on than the current provisions in the industry. That is why we have held

negotiations with the National Association of Port Employers. We regret that these were not graceful working conditions which it replaced, it is made consistently clear that what is successful and have urged the employers to join with us in using Acas (the Advisory, Conciliation and Arbitration Service) to resolve our dispute. Bill Morris,

Bias would creep in from local interest groups and money from fines would be fil-tered into items like road

improvements, which should

be financed separately. We should soon be back to the

present mess. Enforcing the law is the job

of the police - if necessary a separate traffic police as in some countries. They should have the authority and the

Deputy General Secretary, TGWU, Transport House, Smith Square, SW1

Unsuited to universities.

From Mr-John Gillard Watson. Sir, While I hope that Oxford dons will reject the proposal for "merit payments" to some professors (will there be a hrain drain of those who do not receive such payments?), this is much less important than the UK Government's intention that universities should settle the current dispute locally. It is, of course, consistent

with the Government's policy to destroy unity among all the groups it has to deal with. So

far. local deals have been openly effected in three univer-sities. Only one has been accepted — and that was in the very early days of the dispute, when it looked as if it preceded a general settlement. "Plant beiganing" is wholly unsuited to universities, and must be rejected as conclu-sively as it was rejected by the Post Office just before Christ-mas.

mas.

Oxford.

11 Beaumont Buildings

From Mr P.J. Bull. Sir, The suggestion by the chairman of the London Bor-oughs Association (Letters, April 17) that enforcement for illegal parking be transferred to local authorities is a recipe for discator for disaster. Local authorities cannot

site

even keep our streets clean and in good repair, their ser-vants are often the cause of traffic hold ups - and what John Gillard Watson, bully-boy offender will take

governments "roll back the frontiers of the state." Liberals

the docks dispute. While these

at issue in our trade dispute

Illegal parking in London

the market

get very suspicious when peo-From Mr Michael Dalgleish. ple equate federalism with the Sir, Traffic congestion in London could be solved by a parking market determined by centralisation of power, because they know that feder-alism means the exact oppomarket forces.

Meters could be provided on In other words, nations exist to safeguard the interest of each block, starting at (say) 10 pence an hour, incrementing along the block to 250 an hour. The motorist would drive along until the (clearly marked) meter exceeded his individuals, but there is often something wrong with the power-greedy state institutions that are thrown up within demand threshold.

As a politician who believes in the reduction of state pow-ers, Mrs Thatcher is quite right Each floor of a car park could attract a higher parking charge, with the market value to object to measures that are of spaces on an indicator board not in the interests of the outside.

This would maximise revenue to the authority. In sum 10 times the revenue boost of wheel clamping, without the

Michael Dalgleish. Golden River Traffic Bicester, Oxfordshire

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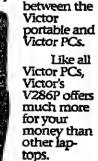
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Single market need not mean single economy

From Mr Patrick Robertson. world. Nationalism appears Sir, Edward Mortimer's nowhere in this equation. article, "Liberalism versue Nationalism" (April 25) deserves a response from the

Bruges Group. For the purposes of clarity, one could say that the world is divided up into units, com-monly called nations or countries. When there are common interests between units, they pool their resources and co-operate more closely. When there is no common interest, they do DOL

The 1992 programme is an example of how countries have agreed together to give up certain state powers - in this case to impose restrictions on the free movement of goods, capital, people and services. The idea is that the European countries will get richer if they adopt a truly free market and compete more effectively with

and the incubus of a European

each other and the rest of the

The present tensions in the European Community arise from two key problems. One is that. Euro-federalists have seized upon the idea of the sinthe market and have converted it (in their own minds) into a single economy. For them, a single European currency is simply the tool for political centralisation of power. The second truth is that

them

many Europeans are sceptical about the reality of a free market, despite their adoption of the 1992 programme. Hence all the proposed obstructions to a free market: worker participa-tion, "anti-dumping" measures

nation she represents. In the context of the EC, it is a gross mistake to equate anti-social-ism with anti-European atti-Social Charter. Liberals exist happily in nation-states. They complain, however, when governments tudes Patrick Bobertson. Secretary, The Bruges Group, want too much power, but they 85-87 Jermyn Street, SWI rejoice when, as in Britain,

inconvenience.

money to do the job effectively. much notice of a local author-ity employee? P.J.-Bull 38 Radnor Walk, SW3 Parking in



FINANCIAL TIMES

Monday May 8 1989

Janet Bush on Wall Street **Daiwa finds** gold on the reservations

ON A CLEAR, snowy, early spring morning in northern New Mexico, the Taos Pueblo, home of many families of American Indians and the oldest inhabited building in the US, seems thankfully remote. Yet here, as everywhere else,

are gaggles of Japanese visi-tors, fascinated to learn about the culture of these original inhabitants of the continent.

Their presence should not be surprising, not just because the Japanese now spend more than anyone else on travelling. There is also a certain kinship because the Red Indians are believed to be of Asian Mongol-old origin and to have migrated to the American contineot across the Bering Strait. That sense of ancient ties is undoubtedly ooe reason behind the formation of a special American Indian Project by

Daiwa Securities America, the US subsidiary of the world's second largest securities house. Its aims are threefold. Daiwa, which is Japanese for

great harmony, is offering to manage the excess funds of the Indian nations, identify poteo-tial partners in joint ventures and arrange financing for the

nations' business projects. This last has become an attractive and feasible area since an amendment to the Indian Finance Act, passed in the last session of Congress, now makes it possible for the US Government to guarantee tribally-issued bonds.

Daiwa, which lobbied vigoronsly for the amendment, is already working with the Chickasaw nation to create and market a government-backed boud issne which would provide funds to purchase the Arbuckle Wilderness, a 485-acre wild animal reserve which is Oklahoma's most popular tourist attraction.

Daiwa is the first foreign financial institution in the US to have seen an opportunity in providing a service to the Indian nations, although other regional banks and brokerages have worked with the nations

on an individual basis. It is certainly the first Wall Street company to have made a broad offer to act as partner

By Lara Marlowe in West Beirut THE rival prime ministers of Lebanoo both called oo the the 312-man Arab League ceasefire observer force to Beirut.

Lebanoo both called oo the Arab League yesterday to sal-vage a new truce from the ceasefire which broke down on Saturday night in a fierce artil-lery duel across Beirut. Fighting continued yester-day when Syrian troops fired Grad missiles out of West Bei-mit towards the arms of Concer-Brigadier General Ali Momen, the Kuwaiti officer who is to command the Arab League force, was in Tunis yes-terday for consultations with Mr Klibi For his part, Gen Aoun con-tacted Ahmed Abdul Aziz Alrut towards the area of General Jassem, the Kuwalil ambasa-dor to Syria who is a senior member of the league's Leba-non committee, to complain Michel Aoun's headquarters at tbe presidential palace at Baabda. Minutes later, shells from Lebanese army artillery began to explode in West Bei-

that the Syrians were responsirut as Gen Aoun's forces tried to hit the mobile launchers from which the missiles had ble for violating the truce. The weekend sbelling, which the weekend spelling, which killed at least 15 people and wounded 80, was the worst since the ceasefire was declared by the Arab League in Tunis on April 28. Estimates of been fired. Dr Selim el-Hoss, the acting Prime Minister of the mostly Moslem cabinet that is in conflict with Gen Aoun's Governthe number of shells and rock-

ment in East Beirut, tele-phoned Chedli Klibi, the secretary general of the Arab League in Tunis, to plead for an immediate deployment of ets fired ranged as high as 15,000. Although the bombardments appear to have been initiated

SYRIANS AND CHRISTIANS IN EAST-WEST ARTILLERY DUEL

by the Syrians, casualties were

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higher in West Beirut than in the Christian East. Thirteen of the dead were on the Moslem side of the Green Line that divides Beirut, one of them a woman eight months pregnant who was killed in the Mar Elias Palestinian camp. Residents of East Beirut

have undergone almost con-stant artillery harassment by the Syrians since the ceasefire was declared and are still accustomed to living in shel-ters. But West Beirut had enjoyed a reprieve after Gen Aoun's promise to Arab League officials last week that be would not return fire its he would not return fire, its population was therefore unprepared for the sudden bombardment of the area. Gen Aoun met the British, American and French ambas-

American and French ambas-sadors late on Saturday to tell them that he could no longer refrain from firing back. The ambassadors live in the low hills around East Beirut, near

the Lebanese defence ministry at Yarze and the presidential palace at Baabda, both of which were damaged in the Saturday night shelling. In West Beirut, fears are

growing that the Syrians will continue their bombardmeot in order to prevent the Arab League force from coming. In the days following the

ceasefire announcement, the Syrians and their allies continued sporadic ahelling of the Christian enclave under the pretext that Gen Aoun had not lifted his embargo on illegal ports. But after that embargo was formally lifted on May 2, the Syrians said they were fir-ing at the East Beirut coastline to stop Gen Aoun's forces receiving arms and weapons

1989

the moment

its grip.

holding US assets.

from Iraq. Many residents of West Bei rut now believe that the Syrians will not relent until Gen Aoun is driven out of office.

A COLUMN Sorting out the dollar puzzle British Satellite Broadcasting With many of the world's financial centres on holiday for much of last week, and unex-

Dollar

Weighted Index (Ave. 1985 - 100) nuch of hist week. and uner-pectedly weak US employment figures for April, the central banks were just about able to keep the lid on the dollar. How-120 ever, this week could see the dollar challenge their resolve. And even if not, the currency's 100 90 persistent strength in the face of growing evidence that the six year old US aconomic

80 recovery may be nearing its end is turning out to be one of 70 the big financial puzzles of 60 On previous occasions over the last year, dollar strength has coincided with either ris-1979 80 -85

ing US interest rates or a perceptible improvement in the monthly trade figures. At the moment, there is no sign of either; and indeed the shorter end of the US bond market is Meanwhile, West Germany and Japan are running a combined surplus of over \$130bn a year which shows no sign of shrink-ing, and their forecast inflation rates are between half and a quarter of those in the US. In terms of economic funda-mentals it is hard to argue a already discounting an easing

in monetary policy. If the US economy really is slowing, there is less need to raise inter-est rates; but this sort of think-ing does not seem to be worrycase for further dollar appreci-ation. Admittedly, the political ing the foreign exchanges at problems in Japan and West Garmany are having an impact, and the dollar's improved performance has encouraged investors to switch more of their assets into the currence The causers into the So far this year the dollar has risen by over 5 per cent – more than it did in all of last currency. The general improve-ment in confidence tends to be self-fulfilling, in that the inflow of money makes it easier to finance the chronic US balance of payments deficit.

But the key question for the markets is whether the author-ities will defend the DM1.90 and Yen 135 levels, or whether they are resigned to merely smoothing the dollar's upward climb. West Germany has already used up a sizeable arready used up a sizeable chunk of its reserves defending its currency; and the danger now is that, along with Japan, it will have to push its interest rates still higher. The risks of this happening would more than offset any benefits of a further sharp the dollar However, the interest rate differentials between the US further sharp rise in the dollar.

Satellite TV

Many unusually needy com-panies, from Next to Dixons to Amstrad to Bond Corporation, are praying for the success of satellite TV; but so far, the news from the sky is pretty dark. Not only is Sky TV draw-

Israelis consider plan for West Bank polls

Lebanon

Rival leaders call for Beirut truce

By Hugh Carnegy in Jerusalem

coalition

government yesterday edged closer to agreeing a plan for elections in the occupied Arab territories as a further spasm of weekend violence underlined the anthorities' failure to subdue the Palestinian uprising after nearly 18 months of incessant unrest. Much of the Gaza Strip and large areas of the West Bank

ISRAEL'S

were under curfew yesterday after three Palestinians were killed and nearly 150 wounded by Israeli troops in Gaza on Saturday, one of the worst days since the intifada began in December 1987. In Jerusalem, the four top coalition figures - Prime Min-ister Yitzhak Shamir and For-

aimed at ending the uprising.

Continued from Page 1 relations with Iran. Officials in London indicated

yesterday thet France, which still has diplomats in Tehran but no ambassador, might be

asked to consider downgrading its representation there. But

France, anxions to avoid exacerbating the considerable

existing strain in its relations with Iran is thought unlikely

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over phrasing and he expected a detailed draft proposal soon "to satisfy everybody". Mr Shamir's move to reach agreement with Labour has attracted fierce criticism from eign Minister Moshe Arens from the right wing Likud bloc and Mr Shimon Peres and Mr Yitzbak Rabin, the Labour Finance and Defence Ministers - met to hammer out their differences on an election plan

Gaza Strip

ISRAEL

Likud's right wing, which sees elections in the territories as a Mr Arens said later remain-ing differences were mainly lead to a Palestinian state.

Mr Ariel Sharon, the Trade and Industry Minister, and a leading figure on the right, said at the weekend the elec-tion plan was "the biggest ever

negotiate and then administer a five-year interim autonomy plan and to begin negotiations within three years on a final settlement. What this final settlement might be is being left vague, to accommodate differences between Likud and Labour and to try to entice Pal-

estinian participation. The Palestine Liberation Organisation and its supporters in the territories are demanding a commitment to eventual full Palestinian independence before elections are held. Mr Shamir and the more

hardline Labourites led by Mr Rabin rule out a Palestinian state in the West Bank and Gaza. Bridging this gulf is tha main task for the US and other parties trying to help get an

action by the army, and heavy international pressure, espe-cially from the US, last month led a reluctant Mr Shamir to commit himself to a four-point peace plan including elections. But the realisation that only a political breakthrough will end the unrest, and anxiety over diplomatic advances made internationally by the PLO, has bound together Mr Shamir and the Labour leadership, par-

last month produced some of the highest casualty figures.

year - and primarily at the expense of the currencies of the world's two biggest surplus countries, Japan and West Ger-many. Admittedly, the eco-nomic signals coming out of the UE are still mixed. Last election process under way. The persistence of the unrest, in the face of tough the US are still mixed: Last week's National Association of Purchasing Management sur-vey gave a far more upbeat pic-

ture of the economy entering the second quarter than last Friday's employment figures. Commodity prices remain buoyant, and the Dow Jones Transportation average hit an all-time high little more than a week's US inflation figures are unlikely to give the Federal Reserve any excuse to loosen

and the Labour leadership, par-ticularly Mr Rabin, at least for time being. The latest fighting high-lighted the extent to which the intifada has become entrenched in the occupied ter-ritorize Far from running out ritories. Far from running out of steam, unrest during the

Britain's oil output may

and its main trading partners have narrowed on both a one month and one year basis. Whereas a year ago, 3-month Eurodollar rates were more than twice as high as tban twice as high as EuroDms short-term Eurodol-lars are now commanding a

himself has plenty of staying power, and is used to re-launches; and even though ha has plenty of other calls on his funds, he is not likely to walk funds, he is not likely to walk away from a commitment which may involve £150m this year alone. Meanwhile. Amstrad need not worry induly: while it may fall per-haps 25 per cent short of its dish target this year, the effect on turnover will be less than 1 Source : Bank of England

per cent, and on profits negligi-The impact on BSB may also The impact on BSB may also seem small, as a perfectly plau-sible excuse can be put forward for the slow start. First the launch missed the Christmas season, then there were not enough dishes in the shops, then the programmes them-selves got less than rapturous reviews. On top of it all, base rates of 13 per cent probably put off some wavering aub-scribers. BSB will doubtless

to raise a further £400m or so

However, everybody is

However, everyDody 1S remaining surprisingly cool, for the excellent reason that it is still early days. No one was expecting the launch to be an instant success anyway, so the overall impact of the slow start may be limited. Mr Murdoch bimself has planty of staring

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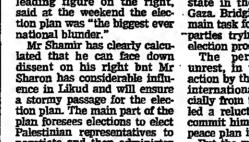
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scribers. BSB will doubtless argue that Sky has got it wrong, not that the UK does not like satellite.

However, even if investors accept that, the conservative fund manager is unlikely to respond favourably to a project whose only precedent is unpromising, and which requires the whole nation to change its viewing habits on the basis of programmes which have yet to be made. Neither will the prospect of a negative cash flow for three years bring them in, nor the notion of a possible profit after five years if one in four households subscribe by then.

Perhaps for that reason, BSB itself seems to be reconsidering even asking the London equity market for so much money, and is now wondering whether to get debt finance instead. Regardless of whether a public flotation is possible, debt might seem the preferable option anyway. Evidently existing investors - who have already put up over £350m to cover the launch



and financial advisor to the Indian nations in their economic development. The seeds of the special proj-

ect were sown when Daiwa hired Mr Charles Entwhistle three years ago. Mr Entwhistle had previously worked for a regional brokerage and had been interested for some years in the American Indian nations.

He took Mr Takuro Isoda, chairman of Daiwa Securities America, to the Navajo Economic Summit in July 1987, and he became similarly convinced that there were sub-stantial opportunities to do

Mr Entwhistle acknowledges an awareness within Daiwa that working with the Indian nations is likely to be regarded as a socially acceptable form of investment by politicians increasingly strident in their criticism of what they see as the Japanese business takeover of America.

However, this is by no means the most important motivation. That is establish-ing a business niche in the US securities business and making money. "We are looking for good businesses – this is not a social welfare programme,"

says Mr Entwhistle. "What Daiwa is doing is lift-ing the nature of the Indian nations' dealings from the small bnsiness, local level potentially to the level of the global capital markets."

The Indian nations own eoormous tracts of land - the Navajo own 16m acres - with rich natural resources such as coal, oil, timber and, according - to one participant at Daiwa's conference, about three-quarters of the entire stock of US uranium.

Mr Entwhistle notes that many of their products, such as wood and citrus, are imported by Japan, opening up possibilities for joint ventures. The nations offer some attractive features for those wanting to do business with

them. They are, in many respects, treated as sovereign nations within the US and are not subject to the same regula tions, taxation or laws as the rest of tha continent.

They are self-governing, enjoy certain tax breaks and decide what state taxes to impose on corporations wish-ing to locate within their land.

Mr Eotwhistle believes thet the Japanese and the American Indians share a desire to forge long-term, conservative business relationships and that there is an enormous opportunity for both in the resource that the nations have to offer and the need to put the enormous Japanese savings moun-

tain to work.

change policy on disarmament

UK Labour Party prepares to

By Phillp Stephens, Political Editor, In London

THE leadership of Britain's opposition Labour Party is pretioning the wisdom of his remarks paring to break with its com-There were also clear indicamitment to unilateral nuclear disarmament at the end of a tions, however, that Labour's shift on defence will provoke two-year policy review, which sharp differences in the execuit hopes will underpin its chaltive and will face severe interlenge to the ruling Conserva-tive Government in the next nal opposition in the run-up to general election.

the party's annual conference in the autumn, where the A two-day special meeting of the party's policy forming National Executive Committee National Executive's polices need to be endorsed. (NEC) which starts today will also endorse a new economic

At the same time publication of the defence and other review documents - scheduled after a final "rubber stamping" meeting of the NEC next week - will signal the start of a and tax strategy, proposals for constitutional reforms, and a more "moderata" stance on trade union rights. Mr Roy Hattersley, deputy Conservative counter-offensive. The new defence policy commits a Labour government to leader, said yesterday the policies, coming just after the the goal of a non-nuclear party's strong victory over the Conservatives in the Vale of defence policy and to no first use of such weapons. But it Glamorgan by election in Wales, would signal a "momenindicates that the Polaris sub-marine launched missile sys-tem and its replacement, Tritous" week in British politics. He joined other Labour leaders in rejecting weekend overtures dent. would be "negotiated away" in East-West arms talks rather than scrapped unilaterfrom the centrist Social Demo-

crat Party (SDP) for an anti-government pact. ally. To the dismay of left-wing The suggestion by Dr David Owen, SDP leader, that he would be prepared to serve in a Labour coalition provoked unease in his party, with sev-MPs, the document sets no time limit for such a move, or for the removal of US nuclear bases from Britain. Mr Neil Kinnock, Labour leader, indieral prominent members quescated at the weekend that he

Iranian death call angers Palestinians

For the West, the latest epi-sode serves as further confir-mation of the fresh tide of radi-

calism that has been flowing through Iran'a revolutionary politics since Ayatollah Ruhol-lah Khomeini called in Febru-ary for the execution of Mr Sal-

man Rusbdie, the British

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to agree to do so.

WORLD WEATHER

boped all nnclear weapons could be destroyed by the year 2000 but his aides emphasised that this was an aspiration rather than a firm timetable. Several members of the 29strong executive are expected to push for the inclusion of a timescale at tomorrow's discussion on the defence document.

Mr Ronn Todd, leader of the Transport and General Workers Union (TGWU) and a member of the defence policy review group, is also expected to disassociate himself from the conclusions.

Labour Party spokesmen, however, were volcing confidence yesterday that the policy would be accepted first by the NEC and then at the party conference, even if tha TGWU. remained opposed Some of his aides believe

that such a struggle would con-vince the electorate that Mr Kinnock had broken decisively with the unilateralist policy which is judged to have cost him considerable support in the 1987 election.

Alongside the defence docu-ment, the special NEC is due to endorse a total of six other policy documents aetting ont Labour policy on a variety of

With even pragmatic figures

like Mr Rafsanjani joining in the attack, European countries

have all but given up the hopes they entertained last year for an Iranian opening to the

West, which bore fruit in a strong improvement in Iran's

relations with Britain, France Canada and New Zealand.

it has no government in charge

of a territory with recognised boundaries and a permanent population. The 12 states of the European Community took a

similar legal stand in a joint note to Dr Nakajima.

The Palestinians say that their application to the organi-

sation is only the first step in a

campaign to win full recogni-tion from UN agencies. They claim that their state has been

recognised by more than 90

countries and Western diplo-

mats acknowledge that, if the

issue goes to a vote, the PLO

Continued from Page 1

WHO faces PLO crisis

bers

author.

hit 10-year low **Continued from Page 1**

Even should repairs on Cormorant Alpha be finished by tha end of the month, however, shutdowns of platforms in June for maintenance would continue to cut heavily into output.

Assuming the Brent system is operating at full volume next month, UK production is expected to rise to only 1.7m

Following a concentration of scheduled shutdowns in June, which is attractive both because of cahn weather and for tax reasons, oil production is expected to recover gradu-ally until reaching 2.4m b/d in September.

Mr Cecil Parkinson, UK Energy Secretary, said recently that a four- to sixweek shutdown of the Brent aystem, along with other North Sea accidents, would add about £800m to Britain's current account deficit.

• A West German oil com-pany has announced plans to invest some \$250m in joint pet-rochemical projects in Vene-zuela, AP reports from Caracas.

The president of Veba Oel, Mr Hubert Heneka, made the announcement on Saturday

The initial stage of the proj-ect would involve the creation of a joint venture with Pequiven, the petrochemical branch of the Venezuelan-owned Petroleos de Venezuela, (PDVSA), to conduct studies of local demand for propylene and polypropylene, according to Mr Heneka.

could probably secure the sim-

pla majority it needs among tha organisation's 166 mem-

concentrated on avolding a vote. The US provides 25 per

cent of the organisation's regu-lar two-year budget, which is put at \$654m for 1990 and 1991. Washington contributes a much smaller share of the vol-

untary funding for special pro-grammes, for which the organi-

sation is seeking \$700m in 1990 and 1991, but it has strongly

supported the AIDS campaign.

Diplomatic efforts last week

announcement on Saturday following a meeting with Venezuelan Energy and Mines Minister Mr Celestino Aramas, according to the Venezuelan daily El Universal.

rate premium of only 50 per cent. In terms of the underlying in a tiny fraction of the audience promised to advertis-ers, but market researchers ing economic fundamentals. which are supposed to determine exchange rate move-ments over the long term, there seems little justification for the reduction in the rela-tive risk premium attached to have apparently discovered that people are actually becom-ing less interested in buying the dishes. With the average electrical shop lucky to sell The US current account deficit is running at around \$10bn a month, and the IMF has forecast an increase to around \$13bn a month next year.

believe in the scheme. Having invested so much at the riskiest stage they may not wish to be dilnted by new equity holders brought in later at sweetened prices. Getting the banks in • at what will doubtless be pretty rewarding interest rates • will add to the electrical snop lacky to sen more than one dish a week, satellite is miles away from the big product that will fill the gap left by video recorders. The background, it might seem, could not be worse for



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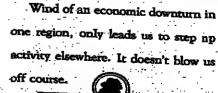
North when demand for housing

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FINANCIAL TIMES COMPANIES & MARKETS



Monday May 8 1989

INSIDE

Phoney war in European banking



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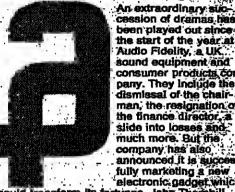
The prospect of a wave of hostile trans-border bids has been striking fear Into some Euronean bankers, But current activity in the sector has the

ney war, with serious hostilities yet to break out. Guy de Jonquières argues in the Business Column that, while scope exists fur cross-bor-der expansion, it seems most likely to be found by carefully exploiting niches. **Page 40**

French seek consistency over bad debt provisions

The French Banking Commission has asked Banque Française du Commerce Exterieur, the state-controlled foreign trade bank, to increase sharply its bad debt provisions on its FFr6bn (\$943m) foreign Inan portfolio. The bank regu-latory authority wants BFCE to bring its level of provisinns on its foreign country exposure more in line with the much higher rate of provi-sions of other leading French banking groups. Paul Betts reports. Page 23

Discord at Audio Fidelity



been played out since the start of the year at Audio Fidelity, a UK sound equipment and consumer products com-pany. They include the dismissal of the chair-man, the resignation of the finance director, a slide into losses and much more. But the company has also announced it is succe

electronic gadget which could transform its fortunes. John Thornhill reports. Page 20

Setting the trend

Union leaders have approved a landmark four-year wage contract with Bethlehem Steel, of the US, which makes good the deep cuts in pay taken by the company's workforce during the. five-vear steel crisis and is likely to set a patterm for the rest of the industry. Page 28 in the second second

4	Market Statistics		<u></u>	
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Chris Sherwell on the aftermath of

two fringe finance houses' failure of more than A\$2.5bn (\$2bn) it could gain "trustee status" in

IKE THAT sinking feeling a speeding drink-driver suffers when flashing police lights show in his rear mirror, a severe bout of anxiety ought now to be gripping a clutch of Australian businessmen as a result of the collapse of two fringe finance houses. The failure of the Perth-based

The failure of the Perth-based Rothwells group last October and of the Sydney-based Spedley group last month has exposed dubious business practices on a scale previously only imagined. But it is not only the two groups' movers, and shakers who are under fire. Non-executive directors and auditors are too. So, to a

stors and auditors are too. So, to a lesser extent, are the country's regulators, even though they helped expose the mess. The griny details of the Rothwell's debacle were spelled out for the first time last week in an official report by the National Companies and Securities Commission (NCSC), Australia's stock market, respired out for the theory of the same securities and securities commission (NCSC). market regulator. Though sani-tised in order not to undermine any legal action, it showed clearly how Rothwells' troubles actually pre-dated the October 1987 crash and subsequent abortive rescue attempts.

The Spedley group's difficulties go back at least as far as the crash, and on the basis of the NCSC's investigations so far, sug-gest a similar affliction of suspect of its dealer's licence. But having ordered changes, the commispractices: poorly documented transactions made for questionsion's vigilance appeared temporarily to lapse, and Rothwells continued to slide into disaster. Spedley's early rise is less well documented than its fall, but it is able purposes, shuffling of funds within a complex corporate empire, manipulation of accounts already begging similar ques-tions. Mr Yuill started the group through Spedley Securities in 1977, then broadened it into the around balance dates. The result has been that auditors, bankers. shareholders and regulators have been misled. Spedley Holdings financial ser-

That there are links between the fortunes and failures of the two finance houses is undisputed. The NCSC's investigations into Rothwells turned up several dif-ferent transactions with Spedley, Mr Laurie Connell, the driving force at Bothwells, and Mr Brian acquiring 100 per cent of First Federation Discount, an author-Yuill; the key figure behind Spedley, have been friends and busi-Associates since the late. very complex chain of companies, and Mr Yuill one of Anstralia's

1960s.



Laurie Connell

affairs is remarkable. For the truth is, it lacks sufficient finan-Western Anstralia - which meant it could take deposits from cial resources and skilled staff to do its joh. Greatly disliked hy the business sector, it has become a government bodies and charities. Mr Connell then used key Queensland connections to get a dealer's licence and build a political football, kicked around between a federal government which wants to change it and state governments which want to keep their own local corporate affairs commissions. deposit base, and similarly higb-level Western Australian connections to win big business and enhanced status. From there Another harsh truth to emerge it was a small step to the extraor-

from these episodes is that, where executive directors are determined enongb, others in Australia have shown themselves prepared to go along with their wishes. The result is that, wit-tingly or unwittingly, they could stand accused of having failed to discharge their duties to exercise due care and diligence and of becoming implicated in dubious

practices This is painfully obvious in the Rothwells affair. And in the Spedley case, serions questions are being asked about the precise role of certain ANI directors who sat on Spedley group boards. One of Mr Ynill's men, as detailed in an NCSC affidavit, has implicated them in the accounting manipu-lations designed to save it. They categorically deny the accusation.

Similar questions are being raised about other directors on the boards of Yuill group companies - with denials also coming fast and furious - and at audi-tors who signed off the various accounts.

But only one man faces criminal charges - a former company secretary at Rothwells although three others involved in the costly rescue attempts have been charged with misusing their position.

vices group. In 1984, when he expanded his empire hy creating Greater Pacific Investments It is generally agreed that both Mr Connell and Mr Yuill have lost their reputations. But the damage goes deeper, beyond depositors and shareholders of the various companies embroiled in the Rothwells and Spedley ised Australian money market sagas. It stretches to the reputa-By 1987, Spedley was part of a tion of Australian businessmen generally - a reputation previ-ously clonded by the Poseidon nickel boom, the Nugan Hand banking scandal and some spectacular tax evasion schemes. Of these implications, most Australian businessmen and pobticians remain only dully aware. To them, after all, the Rothwells and Spedley affairs seem more like local difficulties. Yet public cynicism about husiness has undoubtedly been reinforced by these scandals, and sbould any more lie out there, the cynicism will grow further.

The shortage of dollars and the role of the Fed **By Anthony Harris** in Washington

NE OF the soundest rules for financial market reportere is this: Never believe a dealer's explanation for a price move, because he doesn't

said: "Because I had a lot of bids, and bad to sbake out some offers." The other, which you may have read before, was: "My reason tells me the dollar is too high, hut my books tells me it is going up.'

The dealers who were being qnoted at length last week could have made good use of these examples; but only a rare few can resist giving what sounds like e learned answer to an inquiring journalist. By Thursday, there was a con-

sensus: the market was waiting for the employment figures, and the dollar would rise strongly if the figures were strong. That, of course, would mean that the Fed would be stuck with high interest rates.

On Friday, as you know, the employment figures were unex-pectedly weak, and for a time the dealers were convinced by their dealers were convinced by their own reasoning. They marked the dollar down. Before long, though, they were wrong-footed by a flood of buying orders, and as soon as they had finished edjust-ing their books they adjusted their books they adjusted their explanations.

There were three schools of thought. One held that the weak employment growth meant less inflation; but the Fed would be slow to respond to this and, meanwhile, US interest rates would look even more ettractive, Dollar up. Another noticed that although

weak, the figures for hours and hourly pay were not. This, they explained, meant that the Fed could not respond to weakening activity, so investors could rely means impossible to explain. A Bank of England offic on high rates for some time to come. This line meant ignoring a warning from Ms Janet Norwood, the commissioner in charge of the figures, that the April pay jump was an oddity in an otherwise weak treod, possibly due to a problem with seasonal adjustment. Dealers in search of explanations don't read the small print.

and decided that the bounce in the dollar had nothing to do with the news. The market, he explained, had lost all touch with reality, and was simply engaged in a virility contest with the central banks.

If this is true, the market is also out of touch with reality with its own profit and loss account. The central banks have recently been making enormous profits on their currency inter-ventions – and since they are the only licensed insider traders, so they should. The next German tax cut may well be financed mainly out of the losses made by

currency traders. All the same, there may well be a core of truth in this explanation; for it does seem that the strength of the dollar has very

World dollar base

% change year on year

20 16 12 8 to energy st 4 ARCENTER AND A CONTRACT OF A

1986 1987 1988 1989 little to do with the news, As any high school economics student could tell you, a rising price means that demand is try-ing to outron supply. What needs explaining is not the strength of

0

the dollar, but the dollar short-Since on the face of it the US current account deficit is supplying extra dollars at e rate of more than \$10bn a month, and the cen-tral banks are adding to that supply by way of intervention, the idea of a shortage looks a little-far-fetched; but in some sense it

clearly exists, and it is by no It seems to put statistical flesh on the proposal by Professor Rob-ert McKinnon that the Fed should be running e world mone-The same rule should he applied to the US current account. The merchaodise delighted that Mr Mueller seems to bave made it dance; but until be has explained it to me at account is based on customs clearances. It is difficult to capmake its own case.

ture things like progress pay-ment on US aircraft to be delivered some months hence, and almost impossible to say how far US imports of capital equipment are on behalf of foreign (mainly Jepanese) direct investors, who buy equipment from their oormal suppliers and pey for them at bome in the usual wey. The equipment is theo shipped to the

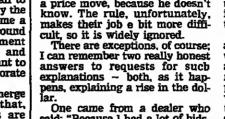
equipment is theo shipped to the US and counted as it arrives, hut no dollar payments are involved. The rest of the current eccount - what we British rightly call the invisibles - is a still worse eccounting mess. Apert from gross reporting errors, there is no way to make allowance for things like interest due to foreign depos-its which in fact represent flight capital, whose owners would not dream of repatriating their capi-

Equally, the large expenditure Equally, the large expenditure by tourist shoppers and the fact that American tourists now shop much less go largely unrecorded. Some of these errors will be captured in other financial accounts, and form part of the celebrated black bole in the inter-national statistics – the fact that national statistics - the fact that recorded accounts tend to edd up to e large world deficit with itself, which can reach \$100bn in some years. Some seem likely to escape all efforts at book-keeping, even the errors and omissions.

The curreot account, in short, is a very poor guide to the growth of the international dollar supply; aod it is even worse when it comes to demand. Here the dealers do talk some sense. The fact that the main surplus countries have weak governments - or, in Korea, strikes and riots - is not a financial statistic, but it can move a lot of money.

If these explanations are true, then William of Ockham could have told you several cecturies ago that you need pay no attention to the suggestive chart which appears here. This shows another kind of dol-

lar shortage. It measures the growth of the world dollar base the US monetary base plus foreign official dollar holdings. This Mr John Mueller, a Washington consultant, bases his forecasts. tary policy, not a domestic one. This is also an old skeleton in my own cupboard, and 1 am length, 1 will leave his chart to



undon share service 34.95 1,732 A second second Companies in this section. Amaprop Audio Fidelity Harcourt Brace 23 23 20 20 INB BFCE Minorco 1, 23 Oglivy Group 20 Peerless Carpet 23 Pirelij Group Bothlehem Steel Cla Media Comma 24 Eastern Air Lines 20 WPP 20 Gold Fields

of these two men are still to be determined, the disarray their activities have left has already thrown up some clear lessons. One, for example, concerns the tightness of regulations covering

the acquisition and maintenance of a dealer's licence. Rothwells became a "merchant bank" through Mr Connell's acquisition of a Brisbane mens-wear store. Because it had a 15-year record of unbroken divi-dends and shareholders' capital much as it has in these two

the bull market. Yet the crash did not bring close regulatory, banking or public scrutiny of his various company accounts until the Rothwells fiasco pointed in that direction. And it is only in the past few weeks that the scale of the disaster has become apparent, spreading as far as ANI, the engineering group with a poten-

(GPI), Spedley got still higger,

dinary lending practices which gave him his reputation as "Last Resort Laurie". By the time of the post-crash run on Rothwells in October 1987

that prompted the first rescue attempt, the NCSC had discov-ered enough about Rothwells'

practices to insist on Mr Connell

stepping down and the removal

links between the

That there are

fortunes and

two houses

failures of the

is undisputed

THIS WEEK

One dealer, at least, was not prepared to eat his day-old words,

once told me that when the Bank was trying to forecast the supply of and demand for credit, as a basis for its monetary policy, the economists always started by projecting the errors and omissions. "We seem to be able to forecast it much better than anything else," be explained.

Economics Notebook Treasury ready for tough fight

1992

IT IS early days yet. But the Treasury is bracing itself for difficult negotiations between the end of this month and November over next year's public expenditure plans. The economic and political

climate for fixing spending in 1990-91 and setting the outline for the two following financialyears has become harsher. Mr Nigel Lawson, the Chan-

cellor, cannot count on a repeat of special factors such as sharply falling unemployment or unexpectedly buoyant council bouse sales which enabled him last November to keep his planning total for the present 1983-90 financial year. at £167.1bn. That was at £167.1bn. That was unchanged from earlier plans, and yet the Government was able to announce increased spending on health, roads and law and order.

This year's prolonged infla-tionary "blip" is one threat. It is eroding the real value of the cash totals agreed for spending plans last November and will force a higher than anticipated uprating of index-linked social security benefits next April.

Markers are already being put down by major spending ministries in advance of their annual tussie with the Trea-

Although no formal bids have been made, Mr Kenneth Clarke, the Health Secretary, is said to be seeking big increases for the health service on top of its planned \$24.4hn budget for 1990-91, Mr Douglas Hurd, the Home Secretary, has indicated that he wants "substantial" increases for the police and the prisons - a claim that will be reinforced by last week's troubles at Risley remand centre.

The Transport Department will publish a new road pro-gramme soon. Despite last Friday's Treesury announcement outnumbered in the negotia-tions with spending ministries but only it knows all the cards opening the way for privatelyfinanced roads, it is almost certain that public sector finance in play. A skilful chief secrewill be required for most of the

eight-lane highways and other improvements envisaged. Following the Government's defeat in the Vale of Glamor-gan by-election, it would be unusual if back-bench pressure for increased spending did not grow as the present parliament moves towards the next gen-eral election in either 1991 or 1992. resort to arbitration by the 12 - C - 11 - 11

witness

this month.

Adding to the complexities this year will be a change in the definition of the Governround. ment's planning total to exclude expenditure which local authorities finance or determine themselves. The change will make the 1990-91 planning total appear smaller ihan the £179.4bn agreed by the cabinet last autumn but should not in itself affect over-all central and local government spending. However, some ministers may see it as an opportunity to slip in higher blds for extra cash.

In these circumstances, Mr John Major, the Chief Secre-tary to the Treasury, will have his hands full keeping preda-tors away from the Government's current fl4bn budget

surplus. But the Treasury's defences should not be underestimated. So long as inflation is not under control, it can argue that greatly increased govern-ment spending would nnly. boost demand.

It has some money to play with. The £179.4bn planning total agread for 1990-91 includes a £7bn contingency reserve. This exists to be raided in times of need and if previous practice is followed could be halved to £3.5bn next November.

The nature of the public expenditure round itself also can play to the Treasury's advantage. The Treasury may appear

tary can therefore ensure that the spending ministries do not policymakers. gang up on him. In the past two years, Mr Major has shown himself to be After two large rises in US factory-gate prices in January and February, the market's exceptionally skilled by com-pleting the round without

dealer.

Star Chamber committee of senior ministers, which stands ready to arbitrate between the Treasury and spending depart-ments late in the spending

Formand. Perhaps the higgest problem for the Treasury this year is Mr. Major's past success. He has made himself a natural has made himself a natural candidate for promotion in the cabinet reshuffle that is widely expected later this year. If he goes before November, the Treasury would be without its star player in an awkward

Delors Enquiries

After something of a hull, Parliament is beginning to show an interest in the Delors committee report on steps towards economic and monetary union in Europe. The infinential Treasury and Civil Service

expecting a 0.5 per cent rise in Commons is currently arranging dates to hear evidence from Despite, or perhaps because of, the Prime Minister's robust

rejection of monetary union Downing Street is also keeping up with the subject. Last week, Number 10 denied rumours that Professor Brian Griffiths, the head of Mrs Thatcher's policy unit, would be touring European capitals ahead of the next EC leaders' summit in Madrid at the end of June. But at least one continental central bank is expecting him to visit for high-level talks on mone Mr Karl Otto Pöhl, president of the Bundesbank, is likely to be pressed by his fellow central tary issues around the end of

bank governors, meeting today and tomorrow in Basle, over the Bundesbank's recent deci-

Peter Norman sion to raise its discount and Lombard rates.

THE RELEASE of US producer **US producer prices** prices data on Friday stands out from an uneven sprinkling Annual percentage change of economic indicators this week as the one most likely to affect markets and possibly

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1988 1980 50 000 Mar Tomorrow the Bundesbank

Γ

will announce the terms of its latest securities repurchase (repo) agreement, which ana-lysts expect will be of the variable rate variety. On Wedn day DM14bn (\$7.48bn) of funds are due for redemption.

Mr Michel Camdessus, managing director of the International Monetary Fund, will attend the Group of 10 governors' meeting today. Discussions are expected to cover Third World debt.

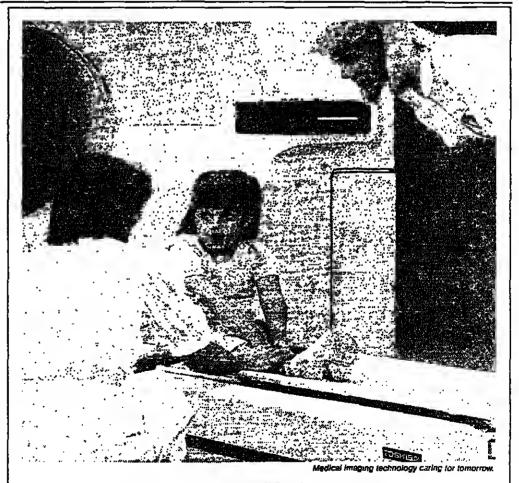
Today: Central bank gover nors from the Group of 10 lead-ing industrialised countries meet for their monthly meeting in Basle. UK final retail sales (March). UK producer prices and credit business. The committee stage of the UK

Finance Bill's passage through the Commons starts. Tomorrow: Central bank governors from the European Community meet in Basle, US

Treasury auctious \$9.75bn of three-year notes. Bundeshank announces terms for securities repurchase agreement. Wednesday: US Treasury auctions \$9.5bn of 10-year

notes. Bundesbank repo for up to DM14bn of expiring liquid-

Thursday: US retail sales for April US monetary aggregates for March. US Treasury auctions \$9.5bn of 30-year bonds. Friday: US inventories for March. Japanese customs cleared trade figures for April.



AND BEGINNINGS LEAD TO MORE BEGINNINGS.

Last fiscal year Toshiba spent around \$1.9 billinn on the research and development of new beginnings like this medical imaging technology. Toshiba creates these quality medical systems in provide health care and maintenance. They join Toshiba's vast world of hume electronics, office technology, electronic components and industrial electronics.



concern about an upward trend in US inflation received something of a reprieve in March. But inflation fears have again been reawakened hy e number of recent, if equivocal, indicators suggesting the pace of activity in the US remains robust. The producer prices index will be scrutinised for any sign

that buoyant activity is feeding through to prices. If it is, analysts expect pressure on the US Federal Reserve, the US cen-tral bank, for e tightening in monetary policy to intensity. The consensus of analysts' expectations, as compiled hy

MMS International, the eco-nomic data service, is for a 0.7 per cent rise in April following a gain of 0.4 per cent in March. Today's release of UK pro-ducer prices data will also be studied for any sign that rising

labour costs are pushing np manufacturers' final prices. The MMS consensus of forecasts suggests tha market is Committee of the House of

output prices and a 0.9 per cent gain in input prices. Final UK retail sales for March are

expected to be unchanged. On Thursday, US retail sales data for April are published. Analysts expect some recovery from March's 0.1 per cent fall; car sales were up in April and it is thought that consumer spending recoved somewhat in the month. MMS said analysts expect US retail sales in April to have risen by 1 per cent after a rise of 0.1 in March.

UK COMPANY NEWS

WPP believed to have raised offer for Ogilvy

By John Ridding

20

WPP, the advertising and marketing services company which is attempting to negotiate an agreed hid for Ogilvy Group, owner of the world's fifth largest advertising group, is helieved to have increased its offer from \$45 to \$50 per

share. The original proposal, msde in a letter sent to the Ogilvy Group at the end of last month, was firmly rejected by Mr Ken Roman, chairman of the US company. But heavy huving hy arbitrageurs sent Ogilvy shares up to \$49% at the end of last week, compared with a level of \$32 before the proposal was made public. The new pro-posal would value the company at over \$300m compared with the initial value of around

Representatives from Ogilvy were unavailable for comment on whether the informal offer had heen increased, hut a spokesman had earlier denied

will put the finishing touches to its ruling about the impasse

in Britain's longest-running and largest takeover bid, the

£3.5bn offer by Minorco, the

South African-controlled

investment company, for Con-solidated Gold Fields, the UK

diversified mining group. The Panel will publish its

decision out of market trading

hours and the most likely time

is early tomorrow morning. At a six-hour meeting on Fri-

day the full Panel considered

Gold Fields' refusal to admit defeat even though Minorco claims to own or have accep-

tances for about 55 per cent of

By Kenneth Gooding, Mining Correspondent

Fields' shares.

part of the time.

the New York action. The very

few details which emerged

in place.

reports that Wasserstein Per-ella, WPP's Wall Street advis-ers, had held discussions with ers, had held discussions with Shearson Lehman, which is acting for Ogilvy. Hs added that there were no plans to hold a hoard meeting before the next regular monthly ses-sion on May 16. Analysts said it was proba-hle that the increased offer would be on similar terms to the original proposal. This

the original proposal. This involved some two-thirds of the funds being raised through debt while the balance would come from an issue of convertible preference shares. Last week shares in WPP fell by 80p to 604p on the prospect of a new share issue.

Should a bld be agreed, the combined company would have gross billings to clients of around \$13.5bn, roughly the size of UK-hased Saatchi & Saatchi, the world's largest advertising group. It would also represent the

second large US acquisition by WPP since 1987 when the com-pany, which is headed by Mr Martin Sorrell, a former Saatchi director, paid \$566m for JUT Group

for JWT Group. The prospect of a deal between WPP and Ogilvy has drawn a mixed response from Ogilvy's clients. Two of its leaders, Seagram and Owens-Corning Fibergias, have indi-cated concern at a possible man dismissed, the finance director resign, the company slide into losses, a furious pub-lic row erupt between the past and present chairmen at an extraordinary general meeting, a rights issue, a report of accounting irregularities, and statements about possible legal action cated concern at a possible deal and Mr Edgar Bronfman. who will soon be president of Seagram, has said he will action. action. Just at a time when many. investors could be tempted to cut their losses, giving the company up as a basket case, Audio Fidelity announced that it was successfully marketing a pocket calculator-sized elec-tronic translator which could more than double turnover in a year and transform its for-tures. review the account if the bid succeeds.

tunes.

end

So where did the present imbroglio begin? And, more to the point, where is it likely to

until 1987 Audio Fidelity was a listless maker and retailer of sound equipment which had oscillated between profit and

loss for a number of years. Then, in early 1987 amid a chorus of publicity, Mr Step-hen Goldberg and Mr Iain Bur-ton seized the helm through a

reverse takeover by their Fan-

fare Products company. The business duo seemed well-matched. The ebullient Mr

Burton, whose background was in music and entertainments, had shown a flamboyant entre-

preneurial streak as the cre-ator of the Hot Gossio dance group and founder of a pop record company, Captain Billys Music, which had formed a

successful association with Stock, Aitken & Waterman, the

record producers. The suave Mr Goldberg had shown seemingly steadier financial virtues as an accoun-

tant in the entertainments

succeeds. ● WPP has acquired United Public Relations, based in Aus-tralia, through its Hill & Knowlton public relations sub-sidiary. The opsrations of United will be combined with those of Hill & Knowlton's Mel-bourne office. No purchase price was disclosed, but it is understood to be below A\$1m (£470.000). (£470,000).

1.27

Iain Burton (left) and Stephen Goldberg: seized the helm through a reverse takeover

Shareholders await the right translation

Park Road, London.

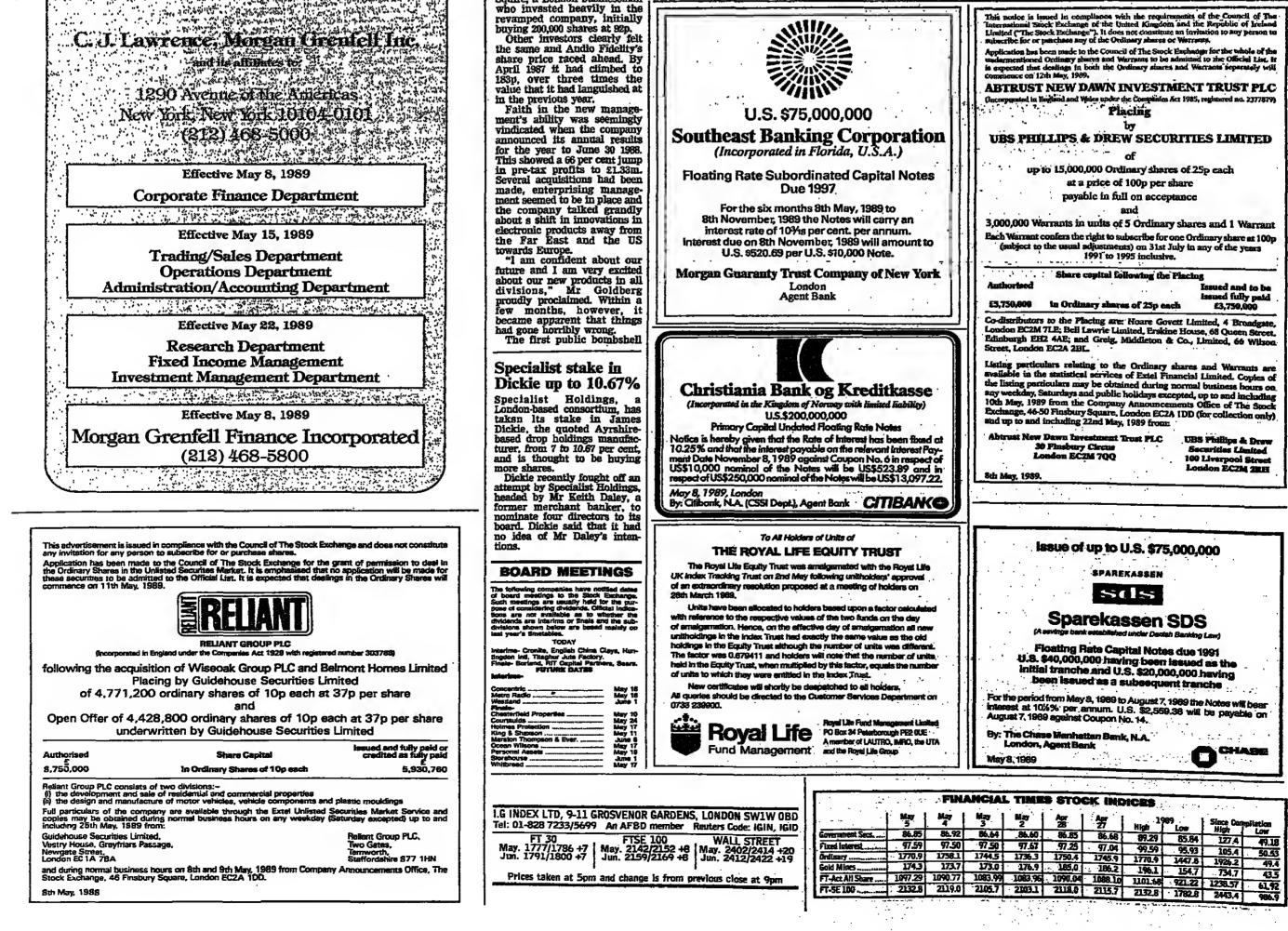
came on January 9 this year, when, in two separate state-ments, Audio Fldelity announced that Mr Goldberg had been dismissed and that an accounting discrepancy had an accounting inscreptincy has been uncerthed. The company asked for trading in its shares to be suspended at 129p - on the resumption of trading in March, the shares plommeted

manifestation of a remarkable battle that had taken place behind the scenes.

behind the scenes. Mr Burton said he had hecome worried by certain aspects of the company's operations in September after receiving complaints from sev-eral customers. He said he was further alarmed in December when two of the company's banks, Barclays and Privatbanken, withdrew credit facilities due to the company's stretched

financial resources. He investigated these matters and presented his findings to Mr Adrian Burn, a partner

in BDO Binder Hamlyn, the accountancy firm which had previously audited Audio Fidelity's accounts before it was replaced by Stoy Hayward in 1987. Mr Burn said there was superficial evidence of account-



John Thornhill on the turmoil at Audio Fidelity and its hopes for the future ing "was not going to and in-smiles and roses." Conse-quently, he burst in and demanded the board liaben to what Mr Burn had to say about the accounting problems.

Mr Newbold, who was acting as chairman of the meeting, asked Mr Squire to leave the room as he had no right to Mr Burn was nevertheless brought in and talked to the board about the accounting irregularities he had come across in Audio Fidelity's books. As a result, the board agreed

to form a committee and invited the company's audi-tors, Stoy Hayward, to investi-gate the allegations.

gate the allegations. Stoy Hayward, which had previously given Audio Fidel-ity an unqualified report for its annual figures, confirmed that there were indeed accounting discrepancies amounting to 5527,000 Press reports in Janu-ary suggested these discrepan-cies related to the way in which sales were involced, leading to an overstatement of profits. directors and asked them to meet the following day at Audio Fidelity's head office in The meeting was scheduled for 2pm, as two of the direc-tors, Mr Denis Newbold and Mr Peter Davison, had to travel from Leeds to attend. But although Mr Burton with attendant lawyers and support-ers, including Mr Squire and Mr Burn, turned up at that time, no one else was to be seen. Mr Goldberg had met Mr

profits. Audio Fidelity subsequently had to write off the £527,000 discrepancy and net assets were consequently reduced from £2.63m to £2.1m. Newbold, Mr Davison and Mr

Newbold, Mr Davison and Mr Bill Gibbeson, another board director, to discuss matters beforehand with lawyers and stockbrokers. Mr Goldberg has denied there was anything sin-ister in this and Mr. Newbold has confirmed that his behav-iour was "entirely proper". Because of this delay, however, the board meeting - excluding the finance director who was on holiday in Hawaii - did not convene until abont 6 pm. The committee discussed the The committee discussed the situation with Stoy Hayward and Andio Fidelity's stockbro-ker, Phillips & Drew. Following these talks, the board decided to dismiss Mr Goldberg. Mr Newbold said Mr Goldberg, as chairman of the -company, chaile have brown about the should have known about the accounting problems whether in fact he did or not.

From an investor's point of From an investor's point of view, worse was to follow. In March, Andio Fidelity announced it had incurred pre-tax losses of 52.34m for the six months to December 1988. The company said it would sell its audio bnsiness and launched a rights issue to bol-ster its thinned balance sheet. Last month, at the extraordi-nary general meeting called to approve the rights issue, the At this meeting, according to Mr Burton, he pressed for the board to discuss the evidence of accounting irregularities he approve the rights issue, the

> ners flared up again and a shouting match broks out

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FINANCIAL TIMES MONDAY MAY 8 1989

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The electronic translator: great hopes for success

about Audio Fidelity's perfor-mance and questioned his abil-ity to run a public company. The resolution was passed without problem, however, and Mr Burton said the company was currently trading extremely well: its Fanfare division had received firm orders for over im of its elec-tronic translators, which sell tronic translators, which sell trome transitions, which sell for £34.95, and its music divi-sion was making good profits. The company's other divisions are to be pruned back or sold. "In the next few months the company should be completely changed."

As to the accounting irregu-larities, Mr Burton said: "We are now taking advice from our lawyers as to what action can be taken against those responsible."

Meanwhile, the spectre of the disgrantled Mr Goldberg still haunts Audio Fidelity. Despite selling about 150,000 shares in the summer of 1986 and giving a further 150,000 shares to two fellow directors, Mr. Goldberg still possesses 1.44m shares in Audio Fidelity, representing just under 18 per cent of the company's equity. He has made an offer for the company's audio division, and is still pressing for the removal of Mr Burton from the board, if necessary he claims, by means of an extraordinary general

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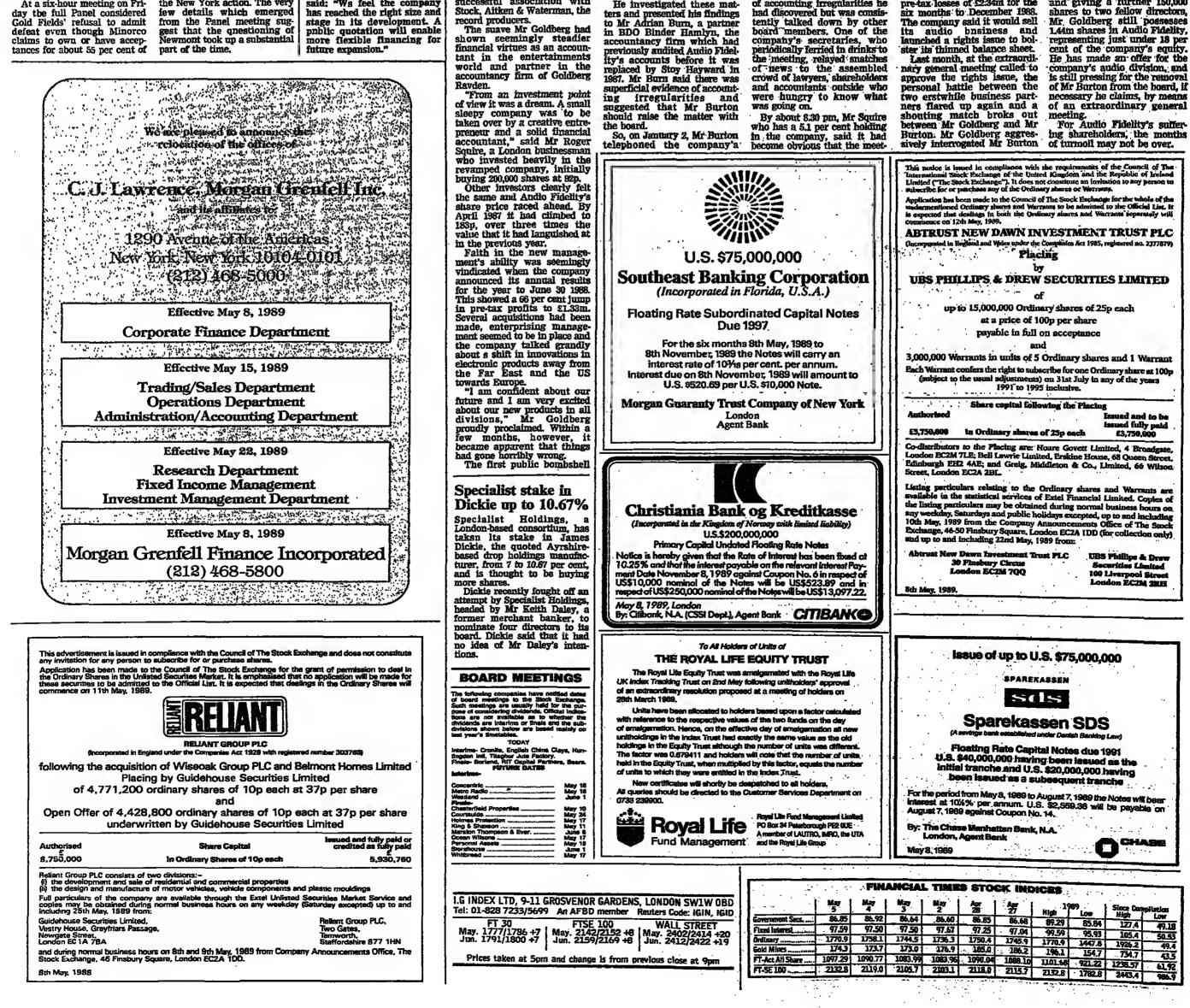
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Panel ruling on Minorco Cia Media plans autumn expected early tomorrow float on USM By John Ridding THE TAKEOVER Panel today the target company's shares.

Gold Fields says the offer was conditional on the removal CIA Media Communications, a characteristic communications, a supplier of specialist services in the advertising market, yes-terday announced plans for a USM flotation in the antumn. The company, which assists clients in the planning and on an injunction by a New York court which forbids Minorco buying any more Gold

But that injunction remains placing of advertising cam-The Panel on Friday also paigns, is expecting to be val-ned in the region of £10m. heard from Newmont Mining, the US gold producer, in which Gold Fields has a 49 per cent stake and which is a party to

Profits in 1988 were £861,000 on sales of £63m. Mr Chris Ingram, chairman, said: "Ws feel the company has reached the right size and from the Panel meeting sug-gest that the questioning of Newmont took up a substantial stage in its development. A public quotation will enable more flexible financing for future expansion."





71p to 58p. Two days later, on January 11, Audio Fidelity announced that Mr Anthony Lascelle had

stepped down as finance direc-tor and company secretary. These events were the public

INTERNATIONAL CAPITAL MARKETS

OTC OPTIONS INTERNATIONAL BONDS Eerie calm provokes introspection

Finance in service launch----

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LEURINGIA MITSUBISHI Finance international today isomehos an ambitious over the counter options service, stalling their pitch in a growing but, still highly increative corner of the sophisticated financial, engi-neering todayse. The new operation is a sin-gle page on Reuters terminals, quoting indicative prices for optiona on the Nikket Dow index, the FT All Share index, inder, the FT All-Share inder, a medium-dated UK govern-ment bond and a cross-cur-rency starling versus D-Mark

option. ... But Dr Desmond Fitzgerald, who is head of the arbitrage group, bravely claims he will make options prices on any underlying financial instru-ment the client requires - for any, maturity, and in any amount. His intention is to "price them realistically,"

currency options, which is established and consequently keenly, priced, options on bonds and stock indices are much newer developments and in London have hitherto been tha preserve of US houses, most notably Bankers Trust. "Many of the these instru-

ments, particularly warrants, have, been sold largely to a retail rathar than a profes-sional clientele who are not so sensitive [about pricing]," Dr Fitzgerald said.

But his group is targeting professional fund managers, including refugee customers from the discredited portfolio insurance technique still in search of several years' worth of price protection for their investment portfolios. At first Mitsubishi will draw on the strengths of its parent in Total a concentrating on

in Tokyo, concentrating on Japanese products. But the group will make prices on much more obscure

products, such as an option on the difference between French and German short-term interest rates. Whereas an Ameri-can exchange has developed this idea already, its hands are tied pending regulatory approval. May

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EUROBOND markets have had one of their most quiet weeks ever, with scarcely snew joins to ripple the calin of dealing rooms. Holiday succeeded holi-day across the world, shutting down the normal-distribution and placement networks, and limiting activity. The certe calinogave syndi-cate managers and investors alite an unusital chance to reflect on the performance of the markets. It also meant that the pricing and terms of the few deals which were lanched were the subject of intense

an in the start

were the subject of intense

were the subject of intense scrutiny. This probably explained why none of last week's deals were contentions, with lead manage-ers aware that any nimble terms would be guickly exposed and the deal runned. "Lead managers were thraw-ing a double lesson from this experience. On the one hand, and most obvious, there was clear merit in launching deals when rival houses had little of their own to do. Sales teams with nothing else to do were able to concentrate their able to concentrate their efforts on single issues for hours at a time, a luxury few

hours at a time, a inviry few deals enjoy in normal market conditions: The peculiar circumstances also highlighted, however, the increasing necessity for deals to be priced carefully to identi-fied demain in file market Credit Sulsse First Boston's 175m floating-rate note issue on Thursday for the Bradford & Bingley Building Society was a good example of a deal simed at. institutions looking for a particular yield. It had a good reception in a thin mar-ket and benefited from lack of competitions. competition. It would be unrealistic to

suggest that a few deals in EUROMARKET TURMOVER (\$m) Primary Marines Scalados 2/7 Case FRE Other 968 200.0 0.2 215.0 0.100.0 7907 200.0 14/2013 00er 12092 0.0 2013 14/20 Prot. 2/3922 462.9 Prot. 2/3922 462.9 Storefay Hights 055 176120 1.087.2 7.0228 7.554.4 Prot 20.448.8 1.381.0 6.312.7 6.878.2 Other: 17.308.7 988.5 5.4721 24.734.4 Prot 16.338.2 1098.5 4665.1 31.484.9

 Cotel
 Eurochar
 Total

 1036
 11.2x0.1
 31.122.3
 42.442.4

 Pret
 11.532.0
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 9.77.107.9

 Baller
 22.172.2
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 Pret
 25.442.4
 33.148.0
 59.555.4
 demand for new paper. Katharine Campbell

10-year Eurobond spreads against government bonds

Basis points 150 Edro-¥ Euro-CS in's Start (Euro-\$ 100 Euro-2 50 · · · · · · · · · · · Euro-DM COLUMN THE A -50 1987 1968 1989 : . . Saurce : Selomon Brothers

that they would eventually find a huyer for the deal. unusual market conditions mark the beginning of a new

In turn, syndicate managers have been forced to inform bormood among Eurobond houses. Nevertheless, syndicate man-agers have begun to admit that rowers that they can no longer the new issue pendulum which has long been firmly in tha orbit of the borrower is now offer the sort of spreads to which they have become accus-tomed. Deals which once were effectively subsidised by the deliberate abuse of underwrit-ing commissions now come to swinging back towards the investors who are asked to buy the bonds. One Eurobond official said the market without that prop. If the alternative was not coming to the market at all, most horrowers have been prelast week: "If you're asking me whether: borrowers' funding rates are coming under pres-surs, then the answer has to be a qualified yes." The qualifica-tion is that it is too early to tell pared to pay the extra cost needed to raise what are rela-

tively cheap funds anyway. In addition to changes imple-mented by the International whether this is a permanent change or whether it reflects a short-term phase in the compe-Primary Markets Association, tition among ambitious Euro-bond houses. other factors have been at work to put pressure on bor-rowers. The first four months Because of the traditional secrecy surrounding borrowof 1989 saw very heavy activity on the primary Eurobond mar-kets, so heavy that some syndi-cate officials think there was ers' funding targets, it is also difficult to assess the extent of any changes in the rates now being achieved. Estimates are

simply not enough demand to soak up all the paper. The traders who bought large quantities of US dollar hazy, but even well-rated bor-rowers are having to lower their sights by a significant number of basis points. This is Eurobonds as part of their nor-mal spread trading strategy did so in the expectation that evenparticularly true when a pro-spective lead manager has doubts about the strength of tual retail demand would allow them to sell their bonds at a profit as the spreads against government bonds tightened. This comes after a long period when intense competition meant that many borrow-European : retail investors, however, were worried by the currency risk of the dollar and ers could name increasingly tight funding targets and know

proved noticeably reluctant to buy the paper. The professional traders, quickly facing losses, became sellers of their bonds, adding to

the pressure on spreads and leading to some dramatic movements. Benchmark dollar issues like the World Bank \$500m 9% per cent 10-year deal saw their spreads widen to his-torically wide levels. For azample, the World Bank's launch spread of 28

hasis points over Treasuries has widened to 45 over, while the spread on the Electricité de France \$500m deal is now around 53 basis points over

Treasuries, 20 basis points wider than at launch. The chart shows the long-term spread relationship between henchmark 10-year fixed-rate Eurohonds and equivalent government bonds, illustrating how spreads have widened in recent weeks. Because of the smoothing effect of the long-term horizon, however, the true extent of the widening is somewhat hidden, and is better illustrated by the

issues mentioned above. At the shorter end of the maturity curve, to which investors have inevitably gravitated because of the inverted yield curve, there have been even

sharper movements in spreads. These have been exacerbated in some cases because deals in some cases because deals were launched at uncompeti-tive prices. The lead managers ended up owning most of the issue and were forced to allow the spread to widen in order to attract investors. Syndicate officials have an ambivalent attitude to current. spread levels. On the one hand, they feel that levels are more realistic than the tight spreads common through much of last year. At the same time, wide opreads imply the stigma of general market under-perfor-

mance. The recent stop-start rallies on the US Treasury market have so far.failed to translate into a real improvement in sentiment on the Euromarkats. Many traders feel, however, that any sustained rally in the US might see Eurobond spreads narrow as sharply as they have widened. Investors who have watched spreads without hnying might chase a rally and relieve some of the inactivity so evident last week. Andrew Freeman

EUROCREDITS **Global fund drive for Murdoch finance vehicle**

not released.

MEDIA Partnars Ltd, the Barmuda-based financing vehicle established to purchase some non-newspaper properties from Rupert Murdoch's News Corp. is seeking a \$1bn global financing facility via Manufacturers Hanover. The facility is split into an \$884m seven-year term loan and a \$116m seven-year revolving credit with currencies in both to be split between dollars and sterling. Funds will be raised simulta-

neously in the US and Europe. Terms of the loans have not been disclosed. It will be capitalised through the sale of about \$1bn in equity with shares to be sold via Credit Suisse First Boston. There will be a mezzanine financing facility as well.

News Corp retains full man-agement of the vehicle and a 20 per cent equity stake although the lenders will have no recourse to assets of News but carries no fees. Corp. The first purchases are to be European and US pub-International to arrange a \$75m 20-year term loan for lishing properties now owned by News Corp. valued at about

which landers can demand \$1.3bn Meanwhile, North American repayment after seven years. firms are stepping up to the Euromarkets, taking advan-Repayment may be sought at three-year intervals thereafter. There is a margin of 25 basis tage of the mid-spring lull points over Libor for the first which bas sent banks hungrily searching for new business.

five years, rising to 32% basis Prudential Securities Group, points for years six and seven. For years eight to 20, the mar-gin is 50 basis points. There is a participation fee of 10 basis points and the loan is guaranthe parent company of Pruden-tial-Bache, has mandated Bank of America International to arrange for it a \$250m twotranche facility. One tranche consists of a three-year term loan while the other is a revolving credit. Terms were teed by the parent company.

Meanwhile, Elkem, the Nor-wegian ferro-alloy and alumin-ium producer, is seeking a \$100m credit facility of which \$80m is committed. Royal Bank Also via Bank of America, Black & Decker Holdings is of Canada and Den Norske Cre-Black & Decker Holdings is seeking a £150m three-month bridge financing which will be repaid after funding is arranged for the pending acquisition of US-hased Amdahl. The facility carries a margin of 50 basis points over London interbank offered rates but carries no fees. ditbank are co-arrangers. The facility incorporates a \$60m revolving credit facility in the form of a five-year bullet loan. It carries a margin of % over Libor and a facility fee of 7%

basis points. There is a five basis point facility fee if over half the loan

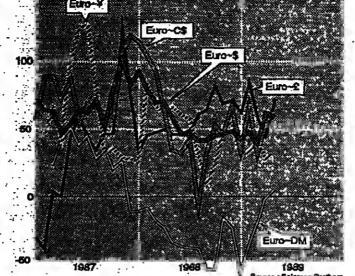
Scott Maritimes, the Cana-dian subsidiary of Scott Paper, has mandated Bank of America is drawn. In addition there is a \$20m revolving evergreen facility.

Norma Cohen

1	VEW IN	TERN	ATION	IAL BO	DND	ISSUES	
Borrowers	Amount	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield
US DOLLARS					_		
Flash¢t(a) Furukawa EL¢¢	30 300	1993 1993	334	0.15bp 4 ¹ 2	100.10 100	Sanwa Int. Nomurs int.	4.500
CANADIAN DOLLARS							
West LB(Lux)(b)♦ Shell Canada♦ State Bk.of Victoria●	75 125 75	1994 1994 1992	5 5 8	0 11 11	60.50 101 ¹ 2 101 ³ 8	West LB Wood Gundy Goldman Sachs	10.573 10.598 10.443
NEW ZEALAND DOLLARS							
ANZ Banking (HONG KONG DOLLARS	60	1992	3	14	101 75	Hambros Benk	13.203
World Bank	500	1995	6	101	10012	Sanwa int.	10.010
Nishi-Nippon Bk, ++\$(d) FRENCE FRANCS	150	1993		12	100	Credit Suisse	0.500
Schneider ♦ §(g) D-MARKS	510	1998	812	6	(9)	Paribas	
Kauthof Fin.**+(e) ECUs	100	1992	3	6 ¹ 4	100	Commerzbank	8.250
GECC.	200 100	1994 1992	5 ¹ 2 3	634 9	101 7g 101 1g	Paribas BPCM	8,291 8,414
STERLING							
Bradford and Bingley YEN	150	1994	5	(1)	100	CSFB	
Clantas Airways (c)	10.6bn	1999	10	5.20	102	Mitsubishi Fin.Int.	5.005

Final terms. (Convertible, whith rive platement, #Reating rate note, 6With coulty warrants, a)0.15bp over 3-month Libor, b)Option to redeen bond in DM at maturity at a rate of DM1.584.20 per CS1.000, c)Redemption terts November 1982 with 13 semi-semual instalments of Yen/42m d)Put to yield 1,991%, e)tesuer repays in Dollars If Dollars is below DM1.69 and in D-Marks in above. 1/Bond yields 3-month Libor plus jsth g)Fungible with domestic terms. Price is PFr50 per bond. Note: Yields are calculated on AIBD bonis.





News Cayman Limited

(Incorporated with limited liability in the Cayman Islands)

£ 150,000,000 75%% Guaranteed Sterling Exchangeable Preference Shares Due 1999

Credit Solite First Boston Limited n Sochs International Limited e Paribas Capital Markets Limited Barciays de Zoeie Wedd Limited Daiwa Europe Limited House Govett Corporate Finance Limited Merrill Lynch International & Co.

el Montagu & Co. Limited Morgan Stanley International International Limited Salomon Brothers International Limited Prodential-Bache Capital Fundan

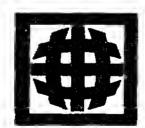
BNP Capital Markets Limited

(Finance) Limited

(Incorporated with limited liability in the Cayman Islands)

DM 175,000,000 5% Exchangeable Bonds 1989/1999

guaranteed on a subordinated basis by



The News Corporation Limited

(Incorporated with limited liability in the State of South Australia)

Exchangeable for Ordinary Shares of

Pearson plc

(Incorporated with limited liability in England and Wales)

CSFB-Effectenbank	Deutsche Bank Aktiengesellschaft
Commerzbank Aktiengeselischaft	Dresdner Bank Aktiengesellschaft
Goldman Sachs International Limited	Morgan Stanley GmbH
Schweizerische Bankgesellschaft	Schweizerischer Bankverein (Destehlund) AG investment banking
	andesbank Girozentrale
Bank of Tokyo (Dentschland) Aktimgesettschaft	Bayerische Hypotheken- und Wechsel-Bank
Bayerische Landesbank Girozentrale	Bayerische Vereinsbank Aktiengesellschaft
BHF-BANK	DG BANK Deutsche Genossenschaftsbank

Hessische Landesbank - Girozentrale - Industriebank von Japan (Deutschland) Österreichische Länderbank Aktiengesellschaft **Trinkaus & Burkhardt**

Investment Limited

(Incorporated with limited liability in the Cayman Islands)

Dfl. 100,000,000

51/8% Guaranteed Guilder Exchangeable Non-voting Preference Shares 1989 Due 1999

Credit Suisse First Boston Nederland N.V. Amsterdam-Rotterdam Bank N.V. Algemene Bank Nederland N.V. Bank Brussel Lambert N,V, Bank Mees & Hope N.V. Credit Lyoanais Bank Nederland N.V. De Nationale Investeringsbank N.V. **Goldman Sachs International Limited** Morgan Stanley International Nederlandsche Middenstandsbank av Pierson, Heldring & Pierson N.V.

> **SBCI Swiss Bank Corporation** Investment banking N.V.

Union Bank of Switzerland (Securities) Limited

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Kempen & Co. N.V.

Rabobank Nederland

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

US MONEY AND CREDIT Equities and bonds lose their nerve

PERHAPS it was nothing more than one of those freakish technical maelstroms that sometimes occur in thin mar-kets, but there was something unnerving about the sudden change of mood on Wall Street late ou Friday afternoon. One moment traders in the

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celebreting the justifiable suphoria created by the April employment figures. Then sud-denly, for no apparent reason, prices in both markets just seemed to melt away.

In equities, the sudden turnround was ominously reminis-cent of the frenzied volatility in the nightmarlsh period immediately after the Black Mouday crash. In just one hour, a seemingly rock-solid 25-point gain on the Dow Jones Industrial Average was trans-formed into a 10-point loss a w minutes before the market closed e net 2.94 points down.

In bonds, the late afternoon fluctuations were less spectacular, but in a way even more surprising. For Friday was the day when the most enthusiastic of bond market economists finally saw their wildest dreams coming true.

If the kind of economic news that hit the market on Friday morning was not enough to spark an explosive rally in bond prices, it is hard to imag-ine where a sufficiently powerful detonator might be found.

The good news was not con-fined to the deceleration in the economy implied by the April employment figures. An eveu bigger surprise was the unstop-pable upward momentum of the dollar in response to the jobs reports.

With everything so strongly in the market's favour, what could account for the market's sudden loss of nerve ou Friday afternoon? Three types of explanation are possible: economic, technical, and political.

Obviously there were still uncertainties about how long the good economic news would last, although there was, for once, no amhiguity in the employment figures. Even the 0.7 par cent jump in April's hourly earnings was much less inflationary than it appeared, since it coincided with a downward revision in the March figure.

Taking the past three months together, wages have risen at an annual rate of only 4.2 per ceut. Nevertheless, there are clouds on the infla-

tionary horizon. Producer prices to be announced this week could show an annualised inflation rate of 8 to 10 per cent. Then there are wage settements like the one announced on Friday by Beth-lehem Steel. This deal raised hourly pay by 9 per cent and seemed to play e role in the market's late sell-off.

Secondly, there are technical problems connected with this week's Treasury refunding. The Treasury's announcement that it would sell \$9.75bn in three-year notes, \$9.5bn in 10-year notes and \$9.5bn in 80year bonds was no larger than anticipated

However, the market was intensely, if unjustifiably, dis-appointed on hearing that the additional \$50bn worth of zero-coupon bonds required by the Savings & Loan Resolutiou Funding Corporation (Refcorp) as part of the Administration's As part of the Administration's S&L rescue plan will be issued directly by the Treasury instead of being scooped up by Refcorp from the long end of the bond market.

Considering that any money put back into the market by Refcorp in this way would have been borrowed from bon-dholders with the agency'a other hand, this argument never made much sense. Nevertheless, the elimination of the Refcorp factor is said to have contributed to the abru steepening of the yield cur

recently. That steepening in itself ha been seen as a bearish facto by some analysts, since som investors had viewed the yie curve's brief inversion as conclusive sign that recession was imminent

An interesting gloss on thi anxiety was offered on Frida by Nomura International i London. Nomura pointed out that Japanese investors has suffered short-term losses i the February refunding, which was immediately followed by monetary tightening. More significantly, Nomu

drew attention to the persi tent currency losses of th luckless Japanese investors i US bonds, Japanese life insu ers recorded currency losses Y4,100bn between 1985 an 1987, the broker notes, In the last year, they seem

to learn from their mistakes and hedged practically all their dollar exposure, effectively giving up most of the yield advan-tage of buying US bonds. They

nevertheless managed to lose another Y500bn in the 1988-89 another Y500nn in the 1888-889 fiscal year, this time because the dollar rose against the yen. As a result, the life insurers have again stopped hedging their dollar exposures, Nomura reports. This absence of hedg-ing has been one of the main factors underturning the dollar

factors underpinning the dollar in recent months - Japanese net purchases of US bonds amounted to about \$7bn in the first three weeks of April alone. Of course, experience suggests the insurers will be proved wrong again. This year they will presumehly he whipped hy e renewed strengthening of the yen. Or will there?

will they? This leads to the third, and most important, source of worry: policy. The recent behaviour of the foreign exchanges suggests market forces may fail to bring the world's currencies into better balance, just as they failed in the period of dollar overvaluation in the mid-1980s. The question now is whether the central banks will decide to override market forces, as they did through the Plaza Agree-ment in 1985.

If the German and Japanese authorities do not do something fairly soon to bolster their currencies, the world economy will continue to "con-

	Last Friday	1 week	4 whs	12-month	12-ment
Fed Fonds (seekly average)	9.75	9.81	10.00	20.00	627
Three-Rooth Treasury bills	8.72	8.84	8,88	9.13	1277555
Sb-month Treasury bills	8.87	9.10 9.81	8.96	9.67	5.72
Three-month prime CUs	9.78	9.81	10.10	10.15 9.70	6.77
30-day Commercial Paper	9.60	9.70	9.88	9.70	2.22
90-day Connectal Paper		9.60	9.98	10.05	6.63
US BOND	PRICES A	ND Y	ELD9	(%)	
·	Last. Fri.	Champe	Yield	1 week	4 wt.
			1 mars		
Sever-year Treasury	1018	1	8.99	9,12	9.37
20-year Treasury	103	+8	9.01	9.07	9.24
30-jear Treasury		St	8.95 wrce: Seld	8.97 mon Bros	
Money supply: In the we		84, M1 ro	8.95 wrca: Seld se by \$6	mon Bros	estimate
Money supply: In the we	ended April :	84, M1 ro	8.95 wrat: Seld se by \$6	mon Bros	setimate 87.3bn,
Money supply: In the we	ended April :	Sta 24, M1 ro ND IN Average	8.95 arca: Salo se by \$6 IDEX FORMANCE	NOEX	estimate 87.3bn.
Money supply: In the we	TOKYO BO	St 24, M1 ro ND SN Average View	8.95 corce: Salo se by \$8 IDEX ORMANCE Last	HOEX	actimate 87.3bn. 26 wis
Money supply: In the we	ended April :	Sta 24, M1 ro ND IN Average	8.95 arca: Salo se by \$6 IDEX FORMANCE	NOEX	eetimate 87.3bn
Money supply: In the we NIRI December 1983 = 100 Overall	994 bek ended April 2 TOKYO BO 27/4/89 146.09	St 24, M1 ro ND SN Average View	8.95 corce: Salo se by \$8 IDEX ORMANCE Last	HOEX	26 wis
Money supply: In the we NIRI December 1983 = 100 Overall	994 sek ended April 2 TOKYO BC 27/4/89 	Sta 24, M1 ro ND IN PER Average yield (%) 4.99	E95 wrcs: Seld se by \$6 IDEX ORMANCE Last week 148.10 148.43	NOEX	eetimate 87.3bn, 26 wis 290 146.50
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verge" and "adjust" in the most perverse directions, Ger-many and Japan will converge towards American and British rates of inflation, and the US will adjust towards the levels of protectionism normally assoclated with Japan and France.

When, as on Friday, the dol-lar rises to an ever higher level in defiance of the economic fundamentals, the risks of buying US bonds do not dimin they increase.

Perhaps the bond market's seemingly perverse weakness as the dollar sourced on Friday could have been rationalised in this way.

Conversely, it is possible to Conversely, it is possible to imagine bond prices rallying, rathar than collapsing, in response to Group of Seven actions that brought the dollar to heel, particularly if these took the form of a revaluation of the D-Mark and yen and left undisturbed the dollar parities of other currencies, such as of other currencies, such as sterling and the French franc. It is worth remembering that the devaluation of the dollar in 1985 coincided with one of the greatest bull markets in the history of US bonds.

Anatole Kaletsky

4.98

Source: Nomura Ben

4.87

4.88

THE GILT-EDGED securities market traded in an extremely narrow range, even by its own recent standards, last week. **UK gilts yields** Restated at par (%) 12.0 The market spent most of the week waiting for the £500m reverse gilt euction and the US employment numbers, both on 11.0 Friday, and in the event did little with either. 5.000 To say the market was calmed would be a gratuitous It is lacking any direction at present, and the reason seems 10.0

clear: confusion abounds. The gilt market is caught between those who think short-term UK interest rates will rise and those who do not.

Furthermore, even those who think rates will remain unchanged see little hope of a reduction in the short term.

With long-term rates well supported by the Bank of England – or, at least, the thought of the Bank's presence – those who believe that short rates are going up have little incentive to be in that sector of the market which has shown some volatility, the short end. Simply put, the market is waiting for some externallygenerated shock to move it either way. Nothing almost always comes of nothing. The line emanating from the official family (the Bank and Treasury) is no move in rates, up or down. Evidence gathers of a slowdown in domestic con-sumption, although there is plenty of interference in the

data if one wants to find it.

May 5,1989 Apr 28,1969 0

So On Friday, official figures showed the lowest level of housing starts in more than a

Sterling key

It is easy to think of reasons to sell the pound - inflation, wage pressures, strikes, a pol-icy muddle that will take a lot of time to sort out - but as Mr Richard Jeffrey, economist at Hoare Govett, points out, sterling has been quite good to the currency investor. Possibly this is why the much-pro-claimed stering crisis has so far eluded the predictions of

pound's nominal three-month

ahead, if for no other reason than the Treasury likes them. interest rate differential vis-s-vis the dollar and the D-Mark has been 2.7 and 5.7 per cent. It The unknown with Friday's The unknown with Friday's auction was the possibility that the further out along the yield curve the Bank moved the higher file premium it would have to pay for the stock. With an aparage necessary is now 3 per cent against the dollar and 6.5 per cent against the D-Mark. The differential on real short

rates (nominal rates deflated an average premium of around % of a point, that worry was the domestic consumption deflator) in the past five years was 1.7 per cent against the dollar and 2.2 per cent against laid to rest. Clearly the Bank could have the D-Mark. The spread is now 2.25 per cent and 3.5 per cent. So what does this mean for picked up the stock at a cheaper price if it had acquired it through its normal second-ary market operations. It paid more than film extra to the market for the privilege of hav-ing it sell spock to them via an

three month sterling deposit has been 6.2 percentage points greater than an equivalent dol-iar deposit and 1.7 percentage points greater than an equiva-lent West German deposit." (All returns are currency adjusted.) But the auction does at least give the public e chance to par-ticipate, and the process does allay the fears, however groundless, of some traders that secondary market pur-chases do not benefit all. All of this does not mean that there will not be a starling crisis later in the year; possibly sooner than later, but it is a powerful explanation why such. further along the curve? There would be something complete about it if it did so. Given that it made mention of the need to

entnst The interest rate support of

day's auction then, if it were to go with longer maturities the years 2003, 2005, and 2006 The one thing that is clear from last Friday'a £500m would be obvious candidates. Those years also happen to straddle some of the most actively traded long-dated reverse gilt auction is that anctions are clearly here to stay. The Bank mooted an auction for the aummar in its announcement flagging Fristocks. day's operation, and it now seems certain that they will go

Simon Holberton

11.2.2

But the auction does at least

Will the Bank move even

smooth the profile of redemp-

tions as a reason for choosing the maturities it did for Fri-

most. In the past five years, the

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In sore need of an external shock

10 years 20

returns? 30

year. On the same day, April car sales were reported to have reached a monthly record, with imports taking nearly 60 per

a crisis has so far failed to

the pound is, hy historical standards, very strong.



In the past five years a



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† Estimated par yield

IBM Canada Limited/IBM Canada Limitée

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5th April 1989

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Acquisitions BFCE told to raise debt provisions INI to lift help boost By Paul Both in Parks

Pirelli net to L282bn

John Wyles in Rome

MAY 8 15%

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a Maibera

ITALY'S Pirelli group, in its first-ever-consolidated balance

first-ever-consolidated balance sheet, has reported 1988 net profits of L222hr (\$204m) on sales of L9,120hn. Pirellons, the group's hold-ing company, said at the week-end that the 1988 profit was 28 per cent higher than the "theo-retical" surplus of the year before, while revenues were 258 per cent up on 1987 25.8 per cent up on 1987.

Sales were swollen by the acquisitions during 1988 of acquisitions during 1988 of Armstrong, the US tyre manu-facturer, and of Filargie: the French cable company. Without these acquisitions, sales would have been 14 per cent higher than in 1987. The tyre and cable activities each accounted for around 48 meth

accounted for around 40 per cent of turnover.

cent of turnover. The novelty of fils first set of consolidated results is that it will be the only one to include Pirelli's tyre activities before Pirelli Tyre Holding is floated later this year on the Amsterdam Stock Exchange. The commany's sumucl meet.

The company's annual meet ing in June will be recom mended to agree to a dividend of L55 for ordinary shares and L65 for saving shares.

Anglo American Properties climbs by third By Jim Jones ...

in Johannesburg

ANGLO American Properties, South Africa'a largest listed property management com-pany, lifted its pre-tax profit by almost one third in the year to March 31 with strong demand for commercial property leases.

The pre-tax profit rose to R38.7m (\$15.1m) from the previ-ous year's 29.4m but a higher tax rate resulted in the taxed profit increasing by a slower rate to R29.5m from R23.5m. Demand for commercial

property has strengthened in line with the country's eco-nomic recovery, specifically in and around Johannesburg.

Amaprop has been particularly active in developing and marketing new office space in metropolitan Johannesburg. big French commercial banks. The Banking Commission has now told BFCE that it

must increase its provisions to cover 40 per cent of its foreign loan portfolio by the end of

THE French Banking Commission has asked Banque Française du Commerce Ekter-leur, the state-controlled for-eign trade bank, to increase shardy its bad debt provisions on its FFröhn (99801) foreign loan portfolio. The bank regulatory anthor-ity wants BFCE to bring its level of provisions on its for-eign country exposure more in line with the much higher rate of provisions of other leading French banking groups. At present, BFCE's bad debt provisions cover only about 25 per cent of the bank's foreign loans, compared with 50 per cent or more for most of the

By Roderick Oram in New York

HARCOURT Brace Jovanovich,

HARCOURT Brace Jovanovich, the. US publishing group; has reported a sharply higher first-quarter: loss, reflecting a deeper deficit in its publishing operations and higher interest costs for the recapitalisation that thwarted a 1987 takeover hid by Mr Robert Maxwell, the UK mbligher.

UK publisher. Its net loss from continuing operations for the period end-ing on March 81 rose 151 per

cent to \$131.5m or \$1.80 a share, from \$52.3m or 87 cents

Revenues: increased to \$315.5m from \$276.7m, with big-ger contributions from its

year earlier.

BFCE will thus have to raise about FFr900m in funds from its shareholders to meet the

higher provision requirements. The foreign trade bank will also have to raise additional capital funds at some later stage to meet Cooke Commit-tee prudential ratios by 1992. BFCB's main shareholders include the Banque de France and the state Caisse des

Harcourt slides deeper into red

three business segments -publishing, amusement parks

and insurance. However, the operating loss on publishing rose to \$46.1m from \$27.3m.

The company attributed the setback to bigher sampling and marketing costs for a large number of new elementary and secondary school books.

Moreover, the returns of col-lege textbooks occurred largely in March this year compared

with April a year earlier. The company was also hurt by an increase in interest

expense to \$37.4m from \$57.3m. It had borrowed heavily to pay shareholders a large special

This raised "serious ques-

FAA blow for Eastern Air

cent stake each in the foreign trade bank. Banque Nationale de Paris, Crédit Lyonnais, Société Générale, Crédit Agri-cole and Crédit National also each own 10 per cent aplece. Although BFCE's state

shareholders are expected to back reluctantly a capital injection to help the foreign trade bank increase its level of trade bank increase its jevel of country risk provisions, the now privatised Société Génér-ale and Crédit Agricole bank-ing groups are likely to adopt a far more critical and recalci-trant attitude to BFCE's debt

As private banks, Société Générale and Crédit Agricole Dépôts, which own a 24.5 per

dividend to block Mr Marwell's offer. It reduced its debt to \$1.07bn from \$1.54bn during 1988 by issuing \$100m of equity and \$400m of bonds.

and \$400m of bonds. But in spite of the partial reduction, it had to contend with higher interest rates, increased seasonal borrowing and higher carrying costs on some of the payment-in-kind and deep discount junk bonds it used in its recapitalisation. The parks division turned in a first-marter operating profit

a first-quarter operating profit of \$4.5m, against \$4m a year

earlier, while insurance operations edged ahead to \$12.5m from \$11.9m.

see little interest in supporting BFCE, which they increasingly

regard as a competitor. BFCE was originally set up in 1946 by the French Govern-ment to supply subsidised finance for France's post-war

foreign trade expansion. But financial deregulation, including liberalisation of French export credit proce-dures, has pushed BFCE into a more competitive commercial banking environment and into mainstream banking activities. Like other large specialised state credit institutions in

France, deregulation has forced BFCE to alter radically its overall business approach.

Kleinwort's

Deltormance.

aerospace

By Tom Burns in Madrid

INI, the Spanish public sector holding consortium, is to increase its controlling interest in Casa, the aerospace com-pany. The move will prevent a possible acquisition by European competitors of a minority equity in the company that has been held by Northrop of the US.

Cesa said INI would raise its 73 per cent holding in the company to about 88 per cent in a capital increase that will be formalised later this month.

month. Northrop has informed INI it will not be maintaining its present 11 per cent equity stake, and Messerschmitt-Böl-kow-Blohm of West Germany, which owns 13.2 per cent of Casa, will remain as the com-pany's sole partner. France's Aerospatiale and the new Deutsche Airspace

the new Deutsche Airspace group, which includes MBB, had expressed an interest in taking Northrop's place but Casa recommended that INI forestall any such acquisition. The decision to augment

public ownership appears to run contrary to government thinking but observers said the increased INI equity was viewed as a provisional mea-sure taken at key moment in the company's development.

group's banking subsidiary, and Kleinwort Benson US Finance, its American arm. S&P said that while Kleinwort had been addressing its problems, the continuing difficulties of the UK securities industry could prevent a return to satisfactory profit levels in the near future.

The lower rating also reflects the increased volatility of Kleinwort's earnings, with core Kleinwort's earnings, with core activities no longer providing sufficient stable income to off-set the ups and downs of the securities business. Last month, Kleinwort reported 1988 profits before tax of £17.7m (\$29.9m), down from 51.6m the wear before This

51.6m the year before. This included a second-half loss of £17.3m caused by the problems of its securities division. Since then Kleinwort has reduced its securities staff by 33 in a bid to

Kleinwort said the group was disappointed by the reduced rating. carpet manufacturer.



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FINANCIAL TIMES

By Anatole Kaletsky in New York THE US Federal Aviation Administration has temporarily closed the maintenance as a smaller non-unionised facilities run by Eastern Air Lines at New York's Kennedy busine

Airport. The FAA decision came after an investigation which discov-ered the bankrupt airline had failed to abide by required maintenance, routines at Keninspecting the maintenance performed at Kennedy. nedy for an extended period before the strike which brought most of Eastern's

operations to a standstill in arly March. early, march. The FAA's action, which was revealed in Washington on Friday night, delivered another potentially serions blow to Texas Air Corporation, East-ern's parent company, in its

controversial attempts to revive the strike-bound airline tain its aircraft adequately in order to cut costs.

The company's managemen on the other hand, had accused According to an FAA stateits unions of mounting a wide-ranging scare campaign to deter the public from flying on ment, Eastern had "repeatedly failed" to follow required procedures for recording and its aircraft.

On Friday, the company went further, suggesting that members of the International

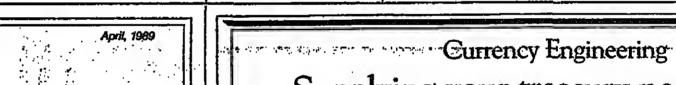
Association of Machinists may have deliberately sabotaged maintenance procedures. The company said: "The FAA's investigations have reinforced Eastern's belief that tions" because management had "failed to correct the prob-lems at Kennedy Airport even. though Eastern knew or should have known abont these problems." Before they went out on a group of IAM mechanics strike, Eastern's machinists' employed at Kennedy have and pilots' unions had freconspired to undermine Eastquently accused the airline's management of failing to mainern and its maintenance management."

company

public ownership appears to

PEERLESS Carpet, Canada largest surviving carpet manu facturer, is planning to but the loss-making Galaxy Carpe Mills of the US in a deal wort US\$120m. Peerless is offering US\$14

share or \$46m for Galaxy an would assume US\$74m debt. said the move was designed t take advantage of the Can da-US free trade pact unde which tariffs will be abolishe on carpets in the next 1



cut costs.

US paper rating cut By David Lascelles, **Banking Editor** THE credit rating on Kleinwort Benson's US commercial paper has been lowered by Standard & Poor's, one of the two lead-ing US credit rating agencies, because of the merchant bank-

ing group's recent poor profit S&P cut Kleinwort's rating to A-2 from A-1. The rating applies to paper issued by Kleinwort Benson Ltd, the

> Peerless to buy US carpet mill By Robert Gibbens in Montreal



First National Bank Plc

Pounds Sterling 450,000,000

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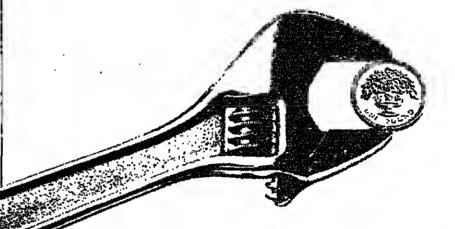
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ان و هاد دیگر در فیست به باشین میکند. در این از آرایی فرایش شویدی است و بین بین بینی بین اینشود از شوانی از در بازی نواز و بیان و این دیگر.

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24

LEGAL COLUMN

Mixed partners face European problem

By Robert Rice

THE LAW SOCIETY, in reaching the firm conclusion in its final response to the Government's legal green papers that mixed partnerships between solicitors and other profes-sionals were oot likely to be in the best long-term interests of lawyers or their of the total of the total of the their clients, hinted that one of the reasons for opposing them was the possible problems they might cause for English and Welsh lawyers want-

This view is endorsed, at somewhat greater length, with the publication today of the submission of the UK delegation to the Council of the Bars and Law Societies of the European Community (CCBE) oo the impact of the green papers on the work and organisation of the UK legal profession in the European Community.

The delegation asks the Governmeot to consider very carefully before implementation whether the propos-als on the licensing of advocates, mixed practices and contingency fees are fully compatible with EC practice and the European codes to which the UK profession subscribes. The impact on the UK profession of

a failure by the Government to take these points oo board could be severe. The 1992 programme contains more than 300 directives covering important aspects of commercial activity. Lawyers througbout the community will have to learn about the oew measures in order to advise their clients. As the internal barriers fall, there

will be increased mobility of people and businesses. Lawyers from all member states will find it necessary to provide advice on a communitywide basis. Lawyers must provide essential support services for businesses seeking to exploit their free-dom to trade throughout the common market.

The UK legal profession, in particu-lar, sees the changes resulting from the 1992 programme as a tremendous opportunity in a market which is already well predisposed towards it. The delegation makes the overall point that the first principle of the Common Code of Conduct for lawyers

in the Community, recently adopted by all European Bars and law societies, is that the lawyer must be inde-pendent of all outside influence,

That principle would be breached by the green paper's proposed ele-ment of direct control over the profes-sion as well as the proposals on multi-disciplinary practice and con-veyancing by so called authorised practitioners.

The Government's proposal on the granting of advocacy certificates is criticised by the delegation as diverging from the practice in the rest of Europe. Initial qualification as a barrister or solicitor would not be sufficieot of itself to give the holder of the qualification rights of audience in the courts.

The proposals might open the way to the contention that a UK lawyer without full advocacy rights in the UK should not have rights of advo-cacy in the courts of other member states under the services directive. That would have the effect of depriv-ing UK lawyers of rights which they have at present and diminishing their

ability to compete in the Community. It would also be very damaging if it cast donbt on the rights of UK lawyers to practise before the Euro-pean Court and other EC institutions, particularly the Commission in its adjudication conscion

djudicatory capacity. The creation of a category of UK lawyer without any rights of advo-cacy would also have surprising con-sequences in relation to rights of appearance before the courts in the UK. Under the services directive,

The effect of the UK proposal could be to export mixed partnerships into other member states

lawyers of other member states have a right to practise and appear before any court in this country oo an occasional basis, subject to working in conjunction with a local lawyer. There are already potential anoma-

lies in this. For example, a French avocat could appear in the High Court in conjunction with an English or Welsh barrister whereas an English

or Welsb solicitor may not. The delegation believes that the Government's proposals might cause real problems in the light of the European Court's decision in Commission of Germany in February 1988, where it was made clear that the court would give a wide interpretation to the

rights conferred in the services directorate and a narrow interpretation to the conditions and restrictions con-tained in it.

The creation of lawyers without rights of andieoce before English courts might also cause problems with the recognition directive in relawith the recognition directive in rela-tion to foreign lawyers obtaining access to the UK profession under it. The delegation notes that it would be strange if access to the local profes-sion actually reduced their rights of audience before the English courts. The most serious concerns of the delegation multidiscipliners

delegation relate to multidisciplinary practices, however. Since law firms in one member state are permitted under the Treaty of Rome to have branch offices in other member states, the effect of the UK proposal could be to export mixed partnerships into other member states through branch offices

As in most member states, the legal professions are not permitted to prac-tise in conjunction with members of other professions this could cause prohle

It is also probable that lawyers practising in mixed partnerships may not satisfy the requirements of independence demanded for lawyers in pendence namanoed for lawyers in many European countries or the test applied by the European Court in the AM & S case, where the European Court ruled that for the purposes of EC law, in-house lawyers did oot have the necessary independence from the necessary independence from their employers/clients to be able to claim legal professional privilege. The Government's plans envisage in particular mixed practices of solici-

tors and accountants but this appears to completely overlook the 8th EC company law directive, which requires auditing firms to be con-trolled (at least 51%) by regulated

trolled (at least 51%) by regulated auditors. This seems to suggest that it is Community policy that firms provid-ing services which are reserved by law to members of a regulated profes-sion should be controlled by members of that profession. It would hardly be appropriate to require less in the case of law firms, the delegation notes. Of the two EC member states -West Germany and the Netherlands - that do permit lawyers to enter into mixed practice arrangements of a

into mixed practice arrangements of a sort, Germany permits them only with a list of restricted kindred pro fessions within a framework which is

restors which a namework which is very closely regulated. In the Netherlands the regulation seems more open but in practice it leaves the decision on which professions to recognise to the Bar Associa-tion, which has only recognised a very limited number of professions so far and accountants are not among

In view of the wide divergence of opinions within the EC on multidisciinary practices it seems clear that plinary practices it seems clear that the Government must adopt a very cautious approach.

If no common view is reached KAR, Mary Satisher Of The Suprame Court Of Hous Koup within the Community on the essen-tial safeguards necessary for the Miss, London Kiltis, David Mell Mr. London LAU, Edmont Kin-May Solicion Of The Super lawyer in a mixed practice, there is a Line, sciences networking and the science of the sc very real danger that some other member states will refuse to recognise New Sunch Warles Mr. Mon South Warles, Australia LEDNIC, Mel Yang Satisfier Dr The Supreme Court Of Hung King Mhis, Castral Hong, King UK solicitor members of such practices as independent.

FINANCIAL TIMES MONDAY MAY \$ 1989

LAW SOCIETIES ADMISSIONS 2nd May, 1989

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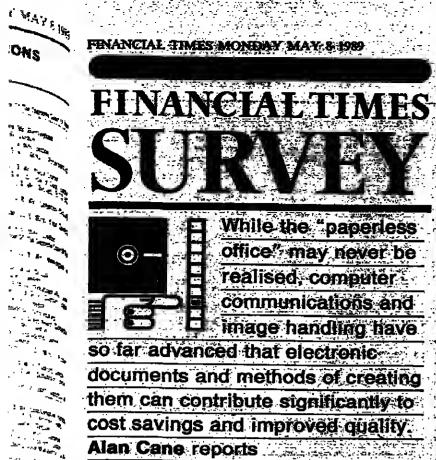
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LEGAL APPOINTMENTS

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Keeping tabs on paper

of paper in the office are commencing. Battle lines are being drawn around a group of technologies now coming into their own as advances in microelectronic technology and computer software reduce costs and improve quality and

costs and improve quany and efficiency. They include a can n ing, optical character recognition, optical storage and lasar printing individual sections of this survey deal with each of these technologies in detail. There has been a profound observe however over the past change, however, over the past few years in the concept of information as a husiness resource. The idea of the "paperless office", in particular, which was so much a part of office automation thinking a decade ago, has been largely abandoned.

Desk top publishing (DTP) in deed, where text-manipulation and laser printing are combined to make simpler the production of high quality master documents, promises to increase rather than decrease the volume of paper in circulation.

So paper will remain a staple of business life, the document the principal instrument of.

HOSTILITIES IN the fight to chief thrust towards methods contain and reduce the volume of containing and managing, of paper in the office are rather than eliminating it. The UK-based consultancy Oasis, for example, calls its approach to paper manage

ment "Papermation." Mr David Stanley, director of impovation for Oasis, points ont that infor-mation. In most companies remains an incontrolled corpo-rate resource.

It lives 'on paper in filing cabinets, on floppy discs for personal computers, and in notes and memoranda. Figures from the US suggest there are some 318bn paper documents on file and that each individual executive has five filing cabi-nets. Business information has doubled in volume in the past 19 years, and 1s expected to double again in the next six. In fig. 112 the community in the UK, the community charge, which will gradually

replace the present rating sys-tem over the next few years, is a, case in point. According to Mr Mark Fullstone of Kodak Business Imaging Systems, the introduction of the community charge will mean a six-fold increase in paperwork for local authorities authorities.

The average borough, he half a million extra pieces of information. In London, the information exchange for the 'cost' of extra paper' storage foreseeable, future and the space could exceed 260,000 a



DOCUME OCESSIN

borough. The answer, Kodak and believes it will need to suggests, is document imaging technology, either in the form of microfilm or optical disk. Brentwood, just outside Lon-don, estimates that if will have to handle an extention of the form

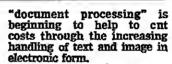
to handle an extra third of a million documents, most of , them in an easily retrievable form because of the inevitable. queries. It is installing a Philips Megadoc optical atorage system to tackle the problem

increase its workforce by only 75 per cent rather than the 150 per cent it originally predicted. Mr Stanley argues, neverthe-less, that the majority of companies are "woefully" ignorant of the range of technologies available to help bring that sea. of data under control. The Papermation approach is to assess which parts of the

flow of paper through a

business add value and which are simply a drag on efficiency and profitability. After that assessment, an array of paper and electronic media can he called on to rationalise and control the company'a

information flow. Among those electronic systems, a group of techniques and husiness methods which can loosely he grouped together under the heading



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STATISTICS AND IN THE OWNER

The group includes electronic document interchange (EDI), compact disc/read-only memories (CD/ROM), image processing and desk top publishing.

Electronic document interchange is increasingly

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CONTENTS

Information storage: optical image processing: next step 2

Desk top publishing: the jackpot DTP profile: Aldus 3

seen as a major technique for reducing the amount of paperwork involved in straightforward business communications - orders from retailers to suppliers, for example, and the resulting invoices.

Ford of Europe, for instance, one of the most sophisticated users of information technology in the world, is establishing an electronic network it calls "FordNet" between itself and its suppliers to enable direct electronic communication of invoicing and purchasing information. Ford currently pays its suppliers against invoices confirming payment through paper remittance advice notes mailed concurrently with the cheques. Where there are discrepancies in the information from Ford and its anppliers, the accounts department has to intervene,

bolding up payment. With FordNet fully opera-tional, all of that will be replaced by "Evaluatad Receipts Settlement" which will eliminate invoices; instead, self-billing electronic invoices are sent to suppliers over the network with details of receivals and proposed pay-ments. The payments them-selves are made by electronic funds transfer direct to suppliers' banks.

The insurance industry is an enthusiastic user of EDI and a pioneer in the mixing of video mages of documents and digital text - technically a com-plex operation. In the UK a consortium of 12 insurance companies has been pioneering over the past 12 months a system which allows data to be entered into accurate images of a company's documents complete with beadings and logos on the computer screen. Compact disc/read only memories are at the heart of

much of the recent developments in text processing. Com-pact discs, "written" and "read" by laser beams which distinguish a digital pattern engraved on the metallic sur-face of the disc, were devised initially as an alternative to conventional commercial audio discs and tapes. It quickly became apparent, however, that they had substantial potential as computer memories capable of storing vast amounts of information.

Phillips of the Netherlands oneered these developments with its "Megadoc" system, using large-scale discs. At pres-

Document image processing clearing the paper ja Printers: let's put it in writing

Electronic datas Interch siness in a diffarent way Illustration: Clifford Harper

ent, there are some 75 Megadoc systems installed including 10 in the UK. Last month Philips and Agfa joined hands to develop a reader/scanner capable of reading microfilm and microfiche documents and transferring them to optical

Compact laser disks are beginning to find ready acceptance as read-only memories for microcomputer systems. Microsoft and Lotus, the two leading microcomputer software suppliers both have promising new businesses in the supply of information on CD/ROM. Lotus, for example, offers "One Source" which deals in financial information. Image handling in the broadest sense is perhaps the most important new trend in docu-ment handling. According to the marketing consultancy IDC, annual sales of what it calls compound document management systems from US suppliers will be more than \$2bn in 1992.

The list of system vendors includes Filenet, Plexus Computers, Wang, Olivetti, Philips, Plexus, Canon, Kodak, Xionics and 3M. Now International **Business Machines has set its** seal of approval on the market with the launch of Imageplus, a system which, it says, "will help customers who process large amounts of paper, such as insurance companies, banks and government agencies, to reduce costs and improve ser-

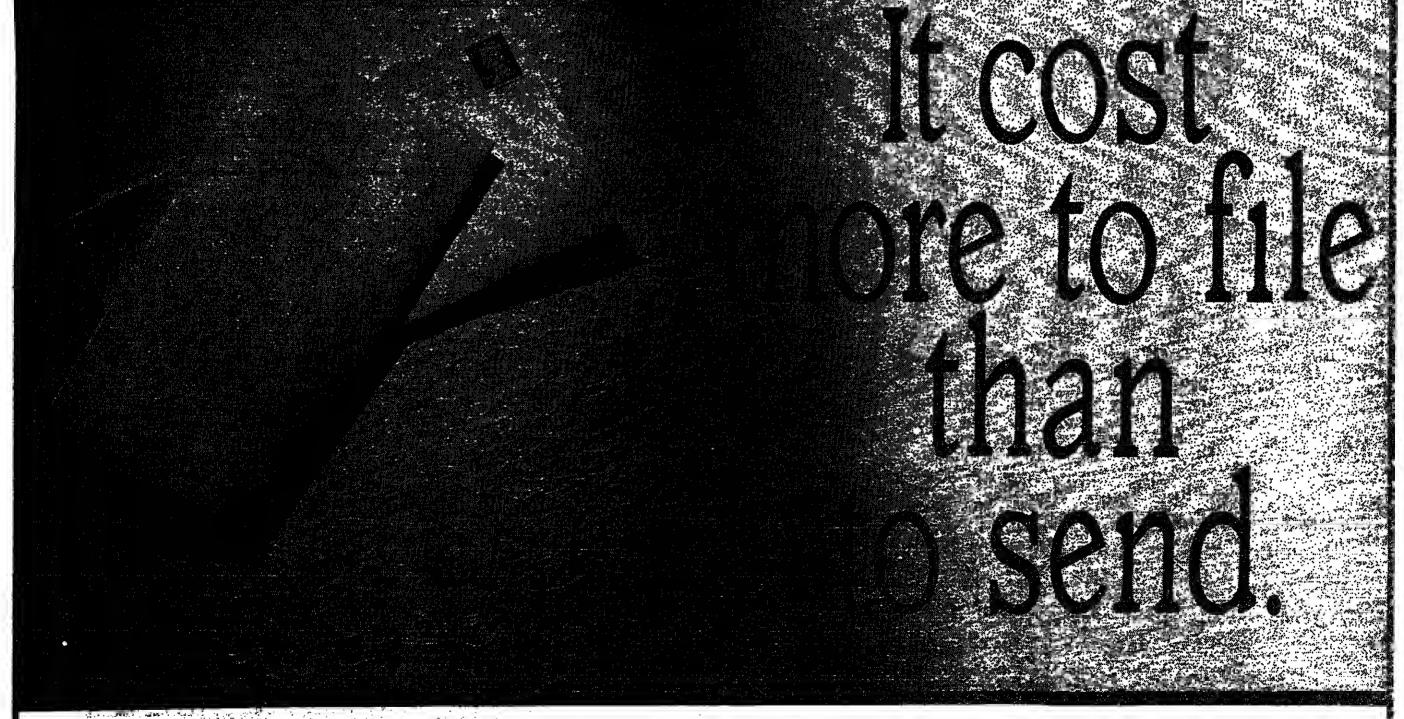
vice to their customers." According to Mr Ian Reyn-olds, director of sales and services for IBM UK: "Image pro-cessing will revolutionise the way we view and process information. The creative and practical uses of image processing will be limited only by the nagination."

IBM may have legitimised the market, but Philips and Wang. the US-based minicomputer manufacturer were the major pioneers of the technology.

Wang's Integrated Image System (WIIS) has been sold to over 250 users worldwide. including British Airways and Western Provident.

Mr Marc Fresko, a seulor consultant with management consultants Peat Marwick McLintock, argnes that, though document image pro-cessing is still an adolescent technology, it is set to become accepted into the mainstream of information technology in the same way that personal Continued on Page 4

25



Until now a piece of paper was estimated to cost 33p to keep throughout its office life. FileNet is a document image processing network that can reduce this to around 9p. Savings can be staggering since 95% of all information --is still kept on paper.

Save space

When in-coming paperwork is received, FileNet scans the original and indexes an exact

replica. The system can hold the contents of 5 filing cabinets on just one 12" optical disk. Over 1600 disks can be managed by the system, so large areas of expensive office space need -no-longer be-used to store paper.

Save time

FileNet can access any of this information in around 20 seconds which means that valuable man hours are not wasted searching for files

that are lost, mis-filed or buried in out trays. The system will even allow several people to access a file at the same time, making it much more productive.

Save money

189 systems have been installed worldwide which is more than all similar systems put together.

To find out what we're saving other British

companies contact Martin Bonner at British Olivetti, 17-29 Sun Street, London EC2M 2PU or ring 01-377 8644 for a brochure.

It may be the last document you need to keep.



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DOCUMENT PROCESSING 2

Alan Cane looks at the latest in information storage

How optical memories score

Worldwide shipments of DIP systems*

ple, a conventional 2,400 ft 100 million bytes of data. ICI of the UK has developed

an optical storage tape of the same length which stores one billion bytes of data. The tape is written and read by equip-ment developed by Creo of Canada.

What gives optical memories the advantage over magnetic memories is the way in which more information can be more information can be packed into the same space. The technology depends on the use of a high-powered laser to create a physical change in the surface of the tape or disk. The surface is of a sophisti-cated metallic formulation.

suring light reflectance from

sonal computing and doch-meot processing just as profoundly as the latest, very fast microprocessor chips from Intel or Motorola. "Mankind", Mr Tony Henley says, "seems to have an insatiable appetite for information storage." for information storage." Which goes some way to explain why information tech-nology specialists are so The laser can burn a pit in the surface (ablation), create a bubble or change the state of excited about the ooteotial of optical memory technology in the surface in a more subtle way, say hy initiating a change from the crystalline to general and rewriteable disks in particular. Mr Henley is bead of the amorphous state. The pat-tern thus created will be equivalent to a series of "0"s and "1"s - the basic units of

the surface.

research and consultancy at the UK National Centre for computer language. A low-powered laser system can "read" the pattern by mea-Information Media and Technology (Cimtech), headquar-tered at Hatfield Polytechnic, which has a powerful interest in the development of optical

26

WHEN Mr Steve Jobs, president of Next Computer Corporation and co-founder of Apple Computer, launched the first personal computer from bls oew company a few mootbs ago, it featured, amoog other innovations, a novel optical disk drive. Manufactured by Canon of Japan, the new drive could not only store data but the data on

only store data but the data on

the disk could be rewritten,

the first time such a drive had been incorporated in a volume

computer product. The Next innovation was a

milestone in the history of a technology which could infin-

ence the development of per-sonal compnting and docn-

Optical memory technology essentially offers the possibil-ity of huge storage capacity at very low cost. As such, it represents a serious threat to con-ventional magnetic disk and tape storage. To give an exam-

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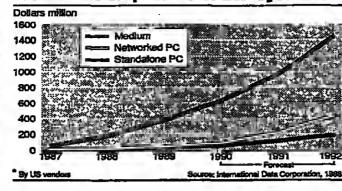
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three times the number of a year ago. These systems are the heart of optical publishing. Microcomputer software companies like Microsoft and Lotus are beginning to create profitable new businesses selling infor-mation on CD/ROM. The information is

imprinted on the disk during manufacture in the same way as plctures and music are imprinted on commercial videodiscs. It cannot be altered and new information cannot

Currently, optical memories used in information processing are of three types. The first is CD/ROM (compact disk/read There are moves to establish atandard, CD/ROM XA only memory). According to (extended architecture) to Mr Henley, there are now about 160,000 CD/ROM drives define the way graphics are handled on CD/ROM. Philips, a ploneer in optical memories, is installed worldwide, some

developing a system called CDI (interactive) which com-bines computer and disk drive in the same cabinet, requiring only connection to a television set to form essentially an elec-tronic encyclopaedia.

Intel, the samiconductor manufacturer, has developed a special chip which has the ability to produce full screen maying images from CD/ROM. The second area is WORM technology - write once, read many times. It differs from CD/ROM in that the information stored on the disk is at the discretion of the customer. The WORM disk is supplied as blank and users write in their own information. Once written, the data cannot be modified or added to.

MR. JONES

WORM technology is popu-lar with companies like banks

and building societies which have large collections of docu-ments to store. Some use digi-tal "jake boxes" which can contain np to 100 WORM disks, giving hnge storage capacity. There are probably some 120,000 WORM drives installed worldwide. The third area is rewriteable

disks, now emerging from the laboratory and making their sppearance in machines such as the Next microcomputer. Costs are high, say £3,000 or more per drive at present, but this is certain to decline as volume increases. Next is thought to have paid less than

A variety of methods is used in rewritzable drives, but the most common is magneto-op-tics. Initially, the disk surface has a particular magnetic ori-entation. A laser is used to heat small portions of the sur-face under the infinence of a strong magnetic field.

A phenomenon called the Curie effect results in a localised reversal of magnetic polarity. The disk can there-fore be read by laser in the same way as CD/ROMs. The reflectance of the mag-netised spot differs from its surroundings because of a sec-

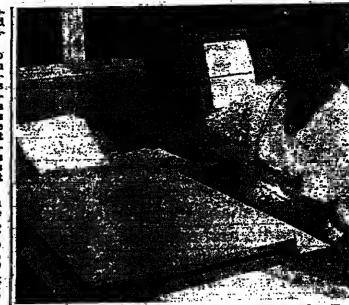
ond phenomenon called the Kerr effect. When the surface of the disk is again heated, using the laser, the magnetic

polarity is lost and conse-quently the disk can be read and written to many thou-sands of time. Why should anyone want to use a WORM drive when 11.5 rewriteable drives are becom-ing available? The answer is security. A problem with elec-tronic images of documents and graphics is that there is no way of ensuring that the image is original and bas not been tampered with. For docu-mants whose integrity is important, WORM drives would seem to be the best

Other technologies which are being used in rewriteable drives include phase changes, where the surface is reversibly changed from crystalline to amorphous and polymer/dye, which exploits light sensitive chemicals on a plastics base. That opens the possibility of optical floppy - and therefore very low cost - disks.

The emergence of low cost and effective optical memories seems certain to change the face of personal computing, making possible, for example, the storage and retrieval of full texts and complicated diagrams. Computer sided design, for example, is being pro-foundly influenced.

Optical storage is slower than magnetic storage at pres-ent but the speed differential is expected soon to even out as the technology matures. With the price of high speed semi-conductor storage also on the decline, tha writing would seem to be on the wall for tra-ditional magnetic media.



FINANCIAL TIMES MONDAY MAY 8 1989

Scanning documents, into the Philips' Megadoc system at Legal & General

IMAGE PROCESSING The next step ahead from microfilm

of low-tech microfilm is that it is eye-readable. Mirror Gronp Newspapers IMAGE PROCESSING is about now uses an optical disc sys-tem for its cuttings library,

in each file.

although back issues and other

file was opened for each sub-

ject or heading, and a story was physically cut and placed

is cut once and scanned, and

cross-references to it then entered through the keyboard.

In the same way as the bulk of fax messages tends to be text-based, the same seems to hold

for DIP. Although the system at MGN provides an image

'It is unnecessary to scan

With the new system, a story

getting information into the human brain as quickly as possible, through the medium of the human eye. Because of that, image pro-cessing is gluttonous for hard-ware, particularly storage archival material are still microfilmed. Under the manual system it replaced, a cuttings

media in the case of document image processing (DIP). The precursor to document image

processing is microfilm. Microfilm was invented in 1926 by George MacCarthy, a New York banker, who was concerned that if cheques were lost or stolen or if there was a fire while they were being transferred between bank branches into a central clear-ing area, there would be no record that they had left the branch. MacCarthy approached

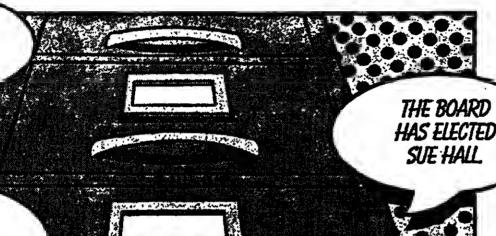
capability, it is primarily the text of stories which is stored George Eastman, founder of Eastman Kodak, with his idea for a cheque recorder. Eastman into the system. the pictures because that eats bought the patent and made MacCarthy head of the divi-sion. The Kodak microfilm up expensive storage space," says Mr Bill Berentemfel, edi-torial administration manager recorder was launched in 1928. at MGN.

Our microfilmer does 30.000 cheques

an hour

at MGN. For banks and financial institutions, the expense is only a secondary worry. Citi-bank Morigage, for one, used to feel that its customer ser-vice operation was being grad-bally undermined by paperwork mountains.

Bank branch applications



עדוריידי אינידי ויידער איי

Kodak call it the optimum in Document Management Systems. Office spies would call it something far less dignified.

Quite simply, the KIMS 4000 System from Kodak revolutionises the way you store;

retrieve and handle confidential paperwork. Once recorded onto Kodak's highly advanced optical disk system, your documents can be accessed only via security codes.

Tap in your personal password and your file index will appear. For your eyes only. Key in again and the document images you require will appear in seconds.

And should you need a hard copy, the system incorporates a laser sharp printer. Kodak will tailor-make each system to

meet exactly your company's precise requirements. Whether you keep 600 documents on file or 6,000,000. Intrigued? Find



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SEE THE NEW PC-BASED KODAK KIMS 4000 SYSTEM ON STAND 51, AT O.I.S. INTERNATIONAL, NOVOTEL LONDON, 15-17 MAY.

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Psst. Tell me more about Document Management Systems.			 ·	 	
systems	Postcode	····· ·· ·· <u>··</u>		 	

are still very important to microfilm. According to Mr David Bratt, head of Kodak David Bratt, head of Kodak Business Imaging Systems in the UK, the market for micro-film and what it calls digital document managamant systems will reach about \$150m in the UK in 1989. "The UK is about 5 per cent of the worldwide market, esti-mated from a combination of internal figures and various internal figures and various external market research reports," he says. Kodak's Information Man-

agement System (KIMS) has been designed to interface to DEC and IBM computers, but so far for the passage of data only, not images. However, Digital Equipment (DEC) has recently announced techniques for passing images around through its Ethernet local area

network. The origin of much of Kodak's growth into document image processing comes from computer-aided retrieval (CAR) of microfilm images. It will be some years yet before DIP overtakes CAR.

You can microfilm around "You can microfilm around 10,000 images onto one roll at a cost of around 25, including processing," says Mr Bratt. "The image capture speed of microfilm is also very guick. The rated speed of one of our microfilmers is 30,000 cheques an hour, and we have several construmers who do 10,000

customera who do 10,000 cheques an hour without any problem.

Digital scanning is much slower at the moment. We really see the two markets

really see the two markets growing together for some time. As technology brings the cost of scanning down and the speed up, some applications will go over to optical disc." Another factor is that only microfilm is currently admissi-ble as evidence in a court of law. As most English law is based on precedent, the law has yet to catch up with the technology. Where an image needs to be kept for legal pur-poses, it will still be micro-filmed, particularly accounting documents which need to be kept for seven years. Kodak envisages a need in the future for a system which

Kodak

Kodak envisages a need in the future for a system which scana a document and pro-duces a microfilm copy for-long-term storage, and which also digitises it onto erasable media for short-term storage, where fast access may be needed for the first couple of months.

Standards that cover resolution quality and the way that information and images are information and images are digitised are constantly evolv-ing. Even now, for example, if one has a 20-year-old magnetic tape, the challenge is to find a es are computer that will actually read it. One of the advantages

An organisation and meth-ods review revealed that over 35 per cent of customer file requests could not be met with-

out some delay, and none within 24 hours from the off-site storage facility. Citicorp, the parent com-pany, had installed six AT&T FileNet DIP systems in the US, marketed in the UK-by Oli-wetti The system has also here installed in the UK at the Bri-tannia Building Society, Lloyds Bank's international banking division and British Telecom's Mobile Communications Cus-tomer Services.

Last August, Citlbank Mort-gage installed a system at its Hammersmith headquarters in West London at a cost of more than £1m.

The system is based on a "write once, read many" times (WORM) optical storage and retrieval "jukebox" with a maximum capacity of 85m pages. It covers several areas including mattern including mortgage applications, customer correspondence, funds transfer, insur-

Over 35% of customer file requests could not be met without delay

All documents are scanned and indexed on arrival and are and interved on arrival and are subsequently available for simultaneous inspection by a number of people within 20 seconds. Over 200 mortgage applications a day can be processed, standard replies generated and information exchanged with Citibank's IBM mainframe computer.

generated and information exchanged with Citibank's IBM mainframe computer. The inarket for DIP is constantly changing. These changes are divided into two areas - players and new devel-opments, according to Mr Marc Fresko, senior consultant at Peat Marwick McLintock. On the players' side, some vendors will leave the market altogether, he fold participants at Bienheim Online's Docu-ment Image Processing (DIP '89) conference held in March. "Equally, more players are likely to enter the market; the most obvious names here are IBM and DEC." he added. "IBM UK's strategy has been hard to Understand; by not launching the ImagePlus sys-tem, which was announced in June 1988 in the US, questions are raised about its applicabil-ity to our marketplace. "The challenges abound to find imaginative, realistic and worthwhile applications for DIP, and to work out how these will integrate into other business systems."

these will integrate into other business systems."

Borls Sedacca

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DOCUMENT PROCESSING 3

FIVE YEARS ago, desk top publishing (DIP), where con-publics, resem to the set of ments on a personal, a state (PG) and print them out on a laser printer, was nothing more than a twinkle in a technologist's eye. But the combination of three factors — the launch of the Apple Macintosh personal com-puter, with its ability to manipulate text and graphics, the rapidly falling price of laser printers and the subsequent development of DTP software has made DTP one of the real growth areas of the 1960s. US market research organisation Dataquest, for example, predicts that the North American market for DTP systems. will grow by 42 per cent every year until 1993. When DTP was launched, it

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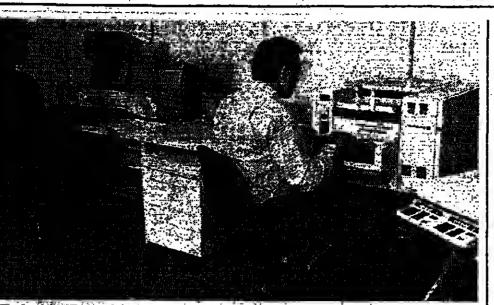
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was positioned half-way between word processing and professional publishing. Now it is expanding both upmarket in terms of its capabilities and downmarket in terms of price, says Mr Richard Bradley, DTP marketing manager for Apple-in the UK. The biggest growth area in the UK at the moment, he says, is in the professional applications of newspaper and magazine publishing and graphic design. Mr Bradley estimates that in the UK alone there is a \$580m

market for the computers for use in DTP - users also need printers and scanners to input photographs. Slower to take off, but in the long-term far more lucrative, is the UK general purpose business area, which Mr Bradley believes is worth £1.6bn for PCs alone.

In the general business area companies are using DTP systems to produce everything from hand-outs to annual reports, because if can save both time and money as well as ensuring that the informa-tion is secure. According to a recent survey by Dataquest, the five major applications for DTP in the US are: newsletters; memos and internal documents; technical documentation: internal company reports; and sales literature.

-A basic DTP system, with a scanner, a Macintosh personal computer and a laser printer. can cost from £5,000 upwards. For companies setting np systems from scratch, the most popular PC is still the Macin-tosh, which took nearly 80 per cent of the UK market last year, according to the marketever, many companies are now exploiting their existing installed base of IBM-or IBMcompatible PCs by buying DTP software packages to use on them.



Agta/Technologic Tadmin postroom equipment in action Della Bradshaw spotlights a growth area

grey shades.

nical documentation.

being used.

Desk top hits jackpot

DTP is not a panacea for all printing needs. Mr Bradley believes the decision about whether to go for DTP or tradi-tional printing is a question of quality rather than quantity.

quality rather than quantity. "It depends on who you're try-ing to impress," he says. Two of the key drawbacks of DTP are that the system can print only in black and white, or in crade spot colour, and the range of half-tones, or greys, that they can produce is lim-ited. That said, several advances in printer technology are now likely to minimise. some of those problems. Mr Brailey believes some colour applications will be available by the end of this year, but using printers which cost over £10.000.

The speed with which colour printing, will become widespread will depend on how quickly low cost, high perfor-mance colour laser or ink-jet printers appear on the market. Many of today's colour printers are limited because they use only thermal paper, not ordi-

nary business paper. Ink-jet printers, as their name suggests, shoot jets of ink at the paper. Low-end mod-els have between 10 and 12 noz-zles, which give 180 dots an inch, while top-end models give up to 300 dots an inch. Although cheaper than laser printers, at about £800, they print only about two pages a minute; about a quarter of the capacity of the cheapest laser. printers. Colour ink-jet print-ers combine four different ink

looks set to become the indus Although DTP systems today try standard.

Another emerging applica-tion of DTP does away with the printer altogether. Instead, the can produce some impressive results, higher resolution systems are in the plpeline which will give a wider range text and graphics produced on of half-tones. With most of today's printers, which print at 300 dots an inch, only a limited the computer screen are trans-lated into material for slides or videotape. In the near future they could also be fed onto number of greys are possible. But a growing number of 600 compact discs or videodiscs dot an inch printers are now Although the market for coming onto the market which stand-alone DTP systems is in its infancy, its application in large corporationa is already can print np to 64 different Further fine-tuning in laser being reassessed, says Ms Claire Hanney, publishing systems product manager for printing will also speed the growth of DTP. Hewlett-Packard, for example, the world's largest supplier of these print-Monotype International, a Redhill-based manufacturer. She compares the situation to ers, now sells ones that print on both sides of the paper, and can bind documents along that experienced by large companies whan the stand-alone PC began to proliferate. either the long or short edge, useful for newsletters or tech-

Companies are realising that they have this system Another boost to DTP was over here and that one over given last autumn, when IBM there - and that none of them lecided to endorse a software talk to each other. So they're package called PoatScript, developed by Adobe Systems of now beginning to look at the situation corporately," says Ms California. PostScript was Hanney.

developed to give better text and graphics reproduction and One solution she believes is to have a network of DTP also to allow any computer to aystems, called an electronic work automatically with any publishing system, which laser printer - without it, every time a document is allows companies to extract information from a number of printed, the computer has to be. different sources - such as the told what model printer is company's mainframe, word processing systems and so on - and incorporate them in one Now that IBM - along with Digital Equipment, NEC, document. As well as giving a Wang, Hewlett-Packard, higher degree of flexibility, Fujitsu and Apple Computer (which owns 19 per cent of electronic publishing systems can also maximise capital outlay by harnessing several PCs to work with just one printer.

Boris Sedacca profiles a leading DTP company

Aldus: 'We create new markets'

Over 40 per cent of Aldus's

strip that inside it over the

Sweden, and plans to set up in

staff in the UK and Eire, 31 in

West Germany also covering

East Germany, Anstria and Switzerland, and 17 in Sweden

covering the Nordic countries. Aldus Burope covers France, Italy, Spain. Portugal, the Netherlands, Belginm and

The UK is our largest mar-

ket, but the French market is potentially larger. France is

now the largest software mar-

ket in Europe. We are also

active in the Far East where we are delivering Kanji ver-sions of PageMaker to the Jap-

"One of the things that dis-

tinguishes us as a company is

our ability to create new mar-

kets. When we created Page-

Maker, we created an entirely

new industry called desk top

"We are attempting to do

next three years."

Greece.

anese market.

publishing.

"We believe that as we

TOGETHER WITH Apple and Adobe, Aldus virtually created the desk top publishing mar-ket. Formed in February 1984, Aldus began shipping its first product, Macintosh Page-Maker, in July 1985. Since then, growth has been spectac-

ular. "When I joined Aldus in October 1985, there were 27 employees. Today the figure is around 450," says Mr Mike Solomon, vice president of sales and marketing for Aldus. Profit and turnover grew in leaps and bounds, from \$518,000 on sales of \$2.2m at the end of 1985 to \$14.6m on sales of \$79m last year. Reve-nice per employee, the main yardstick for a company's efficiency, has grown in that period from \$122,000 to \$188,000.

However, something has to be sacrificed for such growth, and return on equity, which peaked at a staggering 97 per cent in 1986, is now down to a more modest but still enviable

28 per cent. This is reflected to a lesser degree by a return on revenue today of 18.5 per cent compared with 23.2 per cent in The main growth spurt came

in Jamary 1987, when Aldus hegan shipping PageMaker running under Microsoft Win-dows on the IBM Personal Computer. Sales jumped almost fourfold from \$11m in 1985 to \$400 1986 to \$40m. Mr Solomon is coy abont

1985.

giving a breakdown of reve-nues between Apple and IBM for fear of upsetting either manufacturer. Despite the suc-cessful launch of PC Page-Maker, Aldus's new products, Persuasion and FreeHand, are available only on the Apple Macintosh. Over the past few years.

Apple has regained the initia-tive over IBM in the PC market, and the Macintosh is widely acknowledged as pro-

Rank Xerox has ushared in a barely audible revolution. its Xerox "Piano" Electronic Typing System, devaloped ovar four years for \$40m and launched in March, ganerates low frequency sound so quiet that its printing blands into the office's background noise. Among Plano'a optional features is a spelling checker in five languages,that not only finds mis-spelt words but suggests up to four aimilar words for replacement

Pantone Colour Palette. It provlding a superior software vides camera-ready artwork development environment to the IBM PC, PageMaker runs and colour separations. singgishly on IBM PCs, even those based on faster 286 and relationship with Adobe. 85 per cent of whose husiness is PostScript. We started compet-386 microprocessors.

IBM's response to the Macintosh, the PS/2, has been slow to take off, but in the long run ing in the applications software market when we brought ont FreeHand a year after Adobe bronght ont Illustrator. IBM has many more allies in the computer industry, and I think we are winning the unlike the proprietary Macinbattle in terms of market tosh which is available from Apple only, the PS/2 will be share. manufactured from multiple business comes from ontside sonrces which is hound to the US according to Mr Solodrive its price down. mon.

"Persuasion and FreeHand move towards 1992, our busi-ness outside the US will outwere not developed internally," explains Mr Solomon. "They were acquired externally. Our intention is to The company has its European beadquarters in Edinrelease a PC version of Persuasion by the end of the year. We burgh, and has set up subsid-laries in the UK, Germany and have a development team working on this. FreeHand will come later." France later this year. Aldus employs 62 staff at its European headquarters, 33

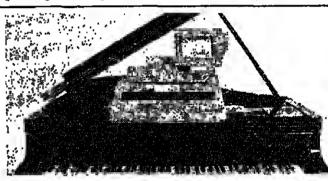
Persuasion is a "presentation" product, something which is already in abundant supply in the IBM PC market where Aldns will face stiff competition from established suppliers, particularly Har-vard Graphics, the market

FreeHand, a drawing package, poses prohlems of an entirely different nature, taking Aldus almost into the realms of image processing and enhancement, and into

competition with Adobe. Adobe is the custodian of the PostScript page descrip-tion language which forms an essential part of PageMaker. The company has already launched a PC version of Its Illustrator drawing package. The first version of Aldus

FreeHand offered PostScript language drawing tools, freehand sketching, graphics edit-ing and muitiple design layers. FreeHand 2 adds blending,

the same thing with Persua-sion, first on the Macintosh custom fills, multiple text block formatting, and the full and later this year on the PC. printing industry standard



We think that as people get to know this technology, they will find that it really has an "We have a co-operative impact on the way they do

27

business." Aldus Europe co-ordinates Pan-European relationships with value-added resellers (VARs) including IBM, Wang. Hewlett-Packard, Olivetti, Digital Equipment (DEC) and Apple. It trades in 13 European currencies and its prod-ncts are available in 11 localised language versions.

"Desk top publishing and presentation software is only a part of what people huy," says Mr Derek Gray, managing director of Aldus Europe. "Over the past three years,

we have run a series of programmes across Europe. In the UK for example, we ran a desk top publishing week with IBM last year which was attended by over 8,000 people.

"We are currently running a presentation alliance in the UK with Apple and 3M to take desk top presentation out to the market in a series of roadshows. In Germany we ran a desk top publishing week with Apple on the same basis."

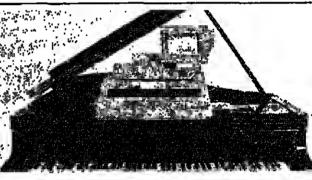
Aldus's latest Pan-European venture, Corporate Services, has heen forged with Mecanorma, a large type and graph-ics company based in France which owns a number of type fonts, borders, and electronic "clip-art."

This will allow large corpo rate nsers to bave their images, logos and designs scanned and digitised in high resolution to turn them into PostScript ontlines. This will enable them to maintain their

corporate identity In addition, Aldus is train-ing a number of major design companies in Europe to prodnce corporate identities using PageMaker and FreeHand, to allow them to deliver designs to their clients in an immediately usable form.

"The disadvantage of desk top publishing is that many people can do their own thing. Corporate Services aims to cul-tivate conformity," adds Mr

Gray. "This means that the end user can adopt our product and then use the template which has been produced by the design company in the full knowledge that it complies with corporate standards for type fonts, logos, size, spacing and various other design criteria."





THE BEST REASON TO INTEGRATE YOUR **BUSINESS INFORMATION** TODAY MAY BE TOMORROW.

Right now, only 5% of business information is stored or manipulated by computers. The remaining 95% is paper-based.

If you're to succeed, your computer system must be able to handle 100% of your business information, no matter in what form it is, no matter

EGRATED BUSINESS SOLUTIONS where it is Wang can deliver on that promise today. With imaging products that allow all of your paper-based information to be captured, stored, retrieved,

shared and distributed as an added dimension to data processing. With products that can communicate and integrate easily with other

systems, whatever and wherever they are.

With products that can display real documents and photos, work the way you work, and help you run your business right from your desk.

Developed under a strategy called Integrated Business Solutions. Wang today can address equally well the needs of your people, the way your business runs and your technology investments. And Wang's unique approach to computer communications is proving itself every day in every kind of business from finance to manufacturing, from retail to government.

Wang's Integrated Business Solutions. It's the best way to handle all your business information. It's the best way to protect your computer investment. And it's the best way to prepare for your future. Today,



INTEGRATED BUSINESS SOLUTIONS For more information, contact Caroline Peden on 01-568 +144 Caroline Peden on 01-568 +144 Wang UK Ltd., 1000 Great West Road, Brentford, Middleser TW8 9HL.

DOCUMENT PROCESSING 4

Paul Abrahams says DIP is a cost-effective way of clearing the paper jam

How electronics can help to store information more efficiently

SPACE COSTS money. And paper - the medium most used by companies to store information - takes up lots of

28

With rents in the City of London reaching £50 a square foot, and with some companies finding that 25 per cent of floorspace is taken up by filing cabinets, the pressure on man-agers to deal with storage probems is growing. A technological solution,

available since the early 1980s, is now becoming a cost-effec-tive method of clearing the paper jam. It is variously called Document Image Processing (DIP) or Electronic Document Management Systems (EDMS).

These systems are based on the simple premise that information can be stored and transmitted around organisa-tions more efficiently by electronic means rather than by

hand on pieces of paper. They use proven technology including scanners, high resolution workstations, computer networks, together with microfilm and optical disks to archive the information.

Incoming mail is fed into scanners after which it is indexed and directed through the computer network to those delegated to deal with the conteots. Each document can then be copied, amended and distributed within the organisation until all action has been taken and the item can he archived.

DIP suppliers have targeted a number of vertical sectors in a still immature market. These sectors include insurance, financial services, the aerospace and chemical industries, as well as central and local government – the intro-duction of the poil tax has stirred considerable interest in DIP systems.

So far, the range of European organisations adopting DIP has been impressive and includes British Airways, Western Provident Association the Bristol-based health insur-

The introduction of the poll tax has

stirred considerable Interest In

Document Image

than using their underwriting expertise. After installing a DIP system, the company **Processing systems** expects to increase its staff retention and continne to attract highly skilled staff in ance group, DHL, the internathe future because it can offer increased job satisfaction. Improved security of infortional courier service and the

Belgian police in Liege. The henefits of such DIP mation and disaster recovery. systems include: Western Provident admits that its business is totally depen- Substantial savings in space. The police in Liege discovered that they were able dent upon information and

without that information, the company would probably cease to reduce their storage trading. With the new system, requirements by as much as 98 per cent after installing a the information can be duplicated in compact form which system. The force needed can then be stored off-site. In access to 40.000 dossiers on the event of fire the husiness 150,000 people and found the effactive method of can now survive.

in large organisations.

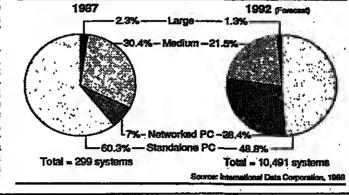
For e x am ple. Wastern Provident discovered that its highly paid specialists spent between a third to half of their time manipulating files rather

archiving and retrieving this material was tbrongh a Reduced costs on stationer and photocopying. Wang estimates that in a large organisa-tion, the average piece of paper is photo-copied 19 times -often to avoid the risk of mismicrofilm-hased system supplied by Agfa. • A reduction in time spent on searching for files. Dossiers are simultaneously accessible throughout the organisation at filing. Optical disk and micro-film technology avoids this

a moment's notice. There is no need to spend time searching for accurately filed documents. problem. Western Provident says that photocopying and paper are the company's third largest expense, and that one of the reasons for installing the DIP Nor is there a problem finding those mis-filed – estimated at about 3 per cent of all dossiers system was to reduce these The manufacturers of DIP systems argue that, because managers spend less time searching for files, their productivity will increase.

Improved control over headcount because of the greater efficiency offered by DIP. British Airways has recently British Airways has recently installed a DIP system supplied by Wang to handle the management of its cahin staff. It believes that the system will allow the company to increase the number of cabin staff while

World unit shipments of DIP systems



keeping the same number of managers to deal with them. However, suppliers of DIP systems believe that their most important benefit is the competitive advantage they can offer companies through mora effectiva customer sponsiveness. British Airways says it will

be able to respond much more quickly to customers after the stallation of its new system. This has been installed to handle voyage reports, which are used to log incidents on flights, such as shortages of ages of coffee on passengers and customer complaints and

compliments. "One of the main benefits of DIP is that it allows us to avoid internal mail," says Mr David MacLeod, manager at the information management

lepartment at British Airways. The internal mail system

always used to be a good excuse for not getting things done. Mr MacLeod explains that although the mail system was, on the whole, reliable, it could etimes take between two and five days for files to arrive. When they had to be sent internationally, the delay could be weeks. Once the DIP system is linked up internationally, it will be possible to access files instantaneously, recording

The Wang Freestyle p

ment image processing. DIP systems handle only images and not text. This means that although some systems are capable of handling written interfering annotation and voice recordfunctions.

Moreover, there are organiings, word processing of data entered through such systems is not yet possible.

colleagues in separate locations. "It's as easy as picking up a telephone," says the company

sational problems engendered by the installation of DIP. Consultants believe that some departments in nrganisations could hecome complately redundant.

shies office workers to

FINANCIAL TIMES MONDAY MAY 8 1989

There have even been some suggestions that one effect of DIP may be completely to remove the need for middle management, which at present sorts and organises information for senior management, leaving organisations with only senior management teams and information workers.

Finally, despite the potential savings offered by DIP, it is still expensive. The decision to instal can still be something of a matter of faith - not easy when a basic system costs

about £170,000. That decision could become easier as the prices of systems fall - a trend on which all manufacturers agree.

ised fonts, is able to provide customised facilities to meet specific needs such as logos and signatures. This latter can take a burden from a senior executive who must give his "personal" attention to corre-spondence while a high qualspondence while a nigh quan-ity unique type style can enhance corporate image.

Innovations which could well have a major impact on petrier technology are ink-jet and liquid crystal shutter (LCS) machines. The former, as its name implies, squirt small dots of ink at the paper and are almost silent in opera-tion. Prices are competitive with Sharp offering its JX-720 colour printer at £1,100.

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Qume's CrystalPrint machines are based on LCS technology. This uses, instead the lenses and rotating mir-rors of a laser printer, a pow-erful halogen light bulb which

may be to remove when they arrive in a basket the need for middle and when they are viewed on screen. management Despite all these benefits, there are still some limitations and problems related to docu-Image documents — which have a minimum size of 50 kilobytes – have a tendency to slow down networks, thus

Adrian Morant offers some advice on choosing a printer Let's put it all in writing

AS THERE is no such thing as tha perfect universal printer, an understanding is needed of the various technologies to select the one that best matches the requirements: quality of print, speed, noise, choice of type styles and sizes as well as, ideally, graphics; plus being able to handle multi-part forms. In addition, it must be compatible with the software with which it will be

used. At one time daisy-wheel printers were the only choice - the appearance of dot-matrix print generally being inadequate. Unfortunately, while they give a sharp,

on the installed daisy wheel. This is in contrast to the dot matrix where, characters being huilt up of individual dots, the machine is far more versatile. Not only can it print a far wider range of symbols and characters, but it gener-ally offers a wider range of

Today, even Inw-cost machines can produce very acceptable results. For exam-In the early dot matrix machines a single pass of the 8 ple, Mannesmann Tally, which claims to be Europe's largest printer maker with the widest nr 9 needle printhead produced an obviously "com-puter" output. An immense improvement resulted from the printhead making a second product range, has recently entered the very cost-con-scious end of the market. Its pass, fractionally offset from the first so as to generate fractionally offset from MT8I 80-column dot matrix printer has a print speed of characters with a more satis-

lap and merge. This provided mode, and is designed for workloads of np to 2,000 pages a month. It can print at 10, 12, 17.1 and 20 characters an inch. ar letter quality (NLQ). Even greater improvements have come from laser, liquid crystal shutter and other tech-It is claimed to have nologies which have emerged and, with the improved dot improved print quality matrix printers, have all hut superseded daisy wheels.

Not only must one buy ribbons but the toner has to be replenished and the drum replaced

through the use of square instead of round dois in the 9-pin printhead. It has a paper parking facility which enables er to switch from fan-fold to cut-sheet stationery and back again without manual re-loading of the tractor feed. Being physically small in size, and priced at only £149, it will be widely purchased to allow printing to be carried out where needed rather than via a shared departmental printer.

are page printers in contrast to dot matrix and daisy wheel machines which print charac-ter-by-character. That is, the printer receives all the infor-mation relating to an entire page before it commences its own internal computation. When it has completed this, its "engine" prints the entire ge, using technology similar to that used in photocopiers.

Laser printers, unlike impact printers, accept only cut sheets of paper, even though some makers do offer a special feed facility for envelopes. This, and their complexity and higher cost of operation, are disadvantages. Not must U.A. ne's top-of-the-rar but the toner has to be replenished and at intervals the drum must be replaced. Nevertheless, laser printers Packard's Laser Jet II sets the standard for laser printers. Virtually all others include it enjoy wide popularity in business because of their speed of six or more pages a minute and low noise. Also, they offer the flexibility needed by today's trend towards desk top publishing (DTP). Hewlettamong their emulations, and virtually all software packages incorporate it within their list of printer drivers. Thus is overcome the prob-

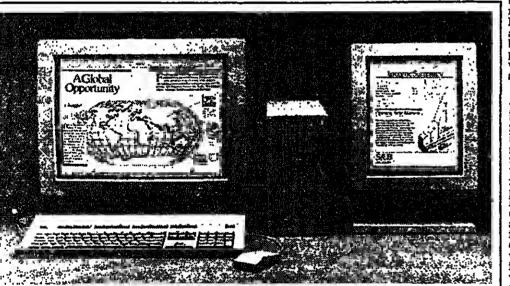
There are also some techni-cal problems to be overcome. This is particularly true with networks which used to handling small batches of data. There have even been suggestions that one effect

with

other

TDA

restricted to the character set ing the individual dots to over- (CPS) draft and 26 in its NLQ



Desk top publishing on the Apple Macintosh licx, which was launched in March, with new A3 and A4 monochroma screens (see also page 3)

At a commensurately higher price, dot matrix printers have been developed using 18 or 24 needles which achieve even better quality with just a sin-gle pass. This trend has been taken even further by Epson, the world's largest printer manufacturer, which claims 40 per cent of the European mar-ket. It has just added a 48 necdle unit to its range. This has a resolution of 360 x 360 dots/ inch (better than the 300 x 360 of a laser printer). However, with a list price of over $\pounds2,000$ it is aimed at those companies which need the high quality and the ability to handle multi-part continuous stationery. Laser and similar machines



Mannesmann Tally's MTB1 dot matrix printer, priced at £149

The long-term impact of electronic data interchange

Business will be done in a different way

THE TELEPHONE is not a mechanism for cutting the cost of messengers, although it was seen as such by some at the time of its invention. Indeed, there is an apocryphal story of how the head of the British Post Office dismissed the newfangled invention, saying there would always be plenty of boys to carry as many messages as people could possibly ever want to send.

Of course, we now know that the telephone has revolutionised businass and social communications. The availability of high speed, low cost communications has meant that people are talking to each other much more than the postman ever dreamed possible

Similarly with electronic data interchange, an embryonic but fast-growing form of paperless trading which allows companies to send each other documents over the telecommunications network. The most obvious benefit of EDI is that it will help companies to reduce the stationery and labour costs of sending each other millions of paper documents - orders, oices and so forth - each year.

And, indeed, the prospect of cost savings has been responsireturn. ble for attracting many of the for pioneers of EDI to the service.

In the US and in the UK - the structured document. The use only two countries where EDI has so far made any noticeable impact - the first companies differentiates EDI from electo use the service were in the tronic mail, which is used to antomotive and retailing send unstructured messages. A industries, where the need to cut the costs of pushiog specific format or structure is needed so that the company masses of peper is particularly great. However, as the industry

Automotive and retail companies were first to use the service

network.

receiving the message knows that it is an order, invoice or whatever and can act on it develops and grows, it is accordingly. One challenge of EDI service

already becoming clear that the principal long-term impact of EDI will be to change the way husiness is done rather than cut costs. EDI has "the opportunity to revolutionise the logistics of business," says Mr Lee Tate, managing director of INS, owned by ICL and GE Information Services, and

providers is to extend it into aspects of trading relationships othar than ordering and invoicing. There are signs that this is already beginning to happen. If companies are ordering and invoicing electronically, why do they not complete the transaction and pay for the goods electronically? In one sense, the hanking community has had its own

EDI networks for soma time. For example, there is the UK's BACS system, under which most people's salaries are paid electronically into their bank accounts at the end of the one of the UK's two leading EDI service providers, with month, and there is the SWIFT 1,200 companies using its system for international interbank transfers.

EDI is still used mainly by The next stsp will he to customers sending orders to their suppliers and the supplige the payment function of the banking networks with the ordering and invoicing funcers sending back invoices in tions of the EDI networks. The However, EDI can be used way in which this merging of sending any type of functions will be done how-

ever, will impact the competiof the word "structured" is important, because this is what tive positions of players in the market.

One alternative in the UK. which has now been rejected, was to link the BACS network with the network provided by Istel, a leading EDI provider with 900 corporate customers. The banks which run BACS as a co-operative apparently decided they preferred to pursue separate infilatives

rather than pool their efforts. Other alternatives would be for individual banks to form joint ventures with the EDI servica providers, or for individual banks to try to set up their own services. Both these possibilities are being considered, and the likelihood is that some banks will choose the first option and others the

EDI is also starting to be used hy suppliers to alert their customers of stock availability and in order to exchange data on the design of products.

on the design of products. For example, Eros, a UK company owned by Polygram and EMI, the record compa-nies, has started supplying record shops with an electronic copy of the hit parade and updates of stock availability. Demand for titles changes from week to week and this could enable record companias to react more quickly.

Similarly, some US compa-

nies are now exchanging standard. If all service provid-ers adopted this, there would designs for new products elec-tronically, by linking their computer-aided design be no technical reason why their natworks could not systems. Such a move could theoretically cut down dramatcommunicate. Progress could always, however, be delayed for com-petitiva reasons. As Mr Tate puts it: "If you have the largest

ically the time for designing new products, so improving responsiveness to the market. Again, the impact is likely to be greatest in industries such as clothes retailing -

its role should be to speed up trading

relationships

imaginative trading relation-ships, it is not clear how this could last in the longer term. As with the telephone, once where product life is short. One of the obstacles to faster dissemination of EDI EDI reaches a certain critical mass, every company will begin to use it, so eliminating services is the proliferstion of different, incompatible networks. As with any telecomcompetitive advantage. munications service, the more EDI's eventual role therefore seems to be one of streamlinpeople who are linked to a particular network, the more ing and speeding up trading relationships throughout the attractive it is to use. However, the various national and intereconomy. In the process, many of the people who are now national markets are still fragmented, meaning that sub-scribers to one network cannot

pushing paper in offices will undoubtedly need to be given different jobs. But, argues Mr always communicata with those on another. Initiatives are under way to Tate: "I don't think there is anything particularly ennoblremedy this drawback. For example, last year the United Nations backed EDIFACT, a ing about people putting letters

standard format for EDI

into envelopes."

as an international

share of the market, why you would want to connect to a

smaller share of the market is

not clear." Even so, INS and Istal have recently agreed to

link their networks. Although use of EDI may give companies a short-term

competitive advantaga by allowing more efficient and

oge CrystalPrint Publ printer uses advanced microprocessor technology

> lem of printers from different manufacturers using incompatible command languages. An even more powerful solu-tion is a page description lan-guage (PDL) such as Post-Script. But it has the drawback of requiring large amounts of expensive memory and, being a comparatively recent innovation, not all pro-grams incorporate the appro-priate "driver". This crucial

factor is easily overlooked. PDLs describe how the printed page should look --what text should appear (and in what font and size), plus the illustrations together with any illustrations together with any lines that should be drawn. Obviously, it is a particularly important factor with desk top publishing (DTP) packages such as Ventura or Page-Maker.

The versatility of these page printers is increased by the variety of font styles and sizes that they are able to employ. Some are integral and supplied with the machine with additional ones being external and either incorporated in ping-in cartridges or "downleaded" cartridges or "downleaded" into the machina from the computer to which it is attached. A growing variety of fonts and sizes in English and other languages are being developed. As these fonts are not generally printer-depen-dent, they enable the user to make a more secure invest. make a more secure investment.

Foutware, which claims to be the leading digital type foundry in Europe for computer and printer applications, as well as offering a wide range of standard and custom-

liquid crystal shutters to con-trol the portions of the photosensitive drum which are to be exposed to the light. Thus an image is formed across the width of the page at one go.

The company has recently added a CrystalPrint Publisher PostScript page printer to its range. It uses advanced micro-processor technology which is claimed to result in much faster page "computation" than normal Postscript laser printers.

In addition, the design is such that any product in the range can be upgraded by simply changing the controller bourd. This enables the pur-chaser of the low-cost text editing printer, tha Crystal-Print WP, to upgrade to the Series II machine (which emulates a Laser Jet II) or to the Publisher specification when the need arises.

As well offering the same 300 DPI resolution in a smaller size unit than laser printers, Qume claims that running costs are only 1.8 p a page compared with the 2.5p a page of a laser printer. Hence CrystalPrints could well fall within the budget of the small office or even the professional operating from home. Recently National Semicon-

ductor announced an enhanced Embedded System Processor which has been tailored to the needs of the printer/imaging applications. As NS designs products to a Canon specifica-tion (and the Canon engine is the basis for H-P and other laser printers) we can shortly expect to see new generation lasar printers offering improved price and performance.

Keeping tabs

Continued from Page 1 computers, local area networks

computers, local area networks and fourth generation lan-guages have become part of the computing landscape. Finally, desk top publishing. Text generated on a personal computer can be added to graphics using special software before being printed out using a laser printer as pages virtu-ally identical to those achieved by traditional print setting. by traditional print setting techniques.

DTP began to take off in 1984 as a result of three develop-ments - the launch of tha Apple Macintosh which, with its powerful ability to handle ticularly ennobi-ble putting letters "Hugo Dixon of the UK market in 1988~

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according to the marketing consultancy Romtac), the launch of Hewlett Packard's

launch of Hewlett Packard's Lasetjet printer, the first of the affordable laser printers, and the "PageMaker" software from Aldus. What all of these technolo-gies have in common is the handling of image in digital form - in computer language. Digital images can be made to perform any number of tricks by a computer - the use of image processing in busi-ness, however, has been dic

ness, however, has been dic-tated by the development of cost effective peripherals -compact disk players, laser printers and scanners. Now these devices are freely available, document processing seems set for dramatic growth.

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FINANCIAL TIMES MONDAY MAY & 1989

APPOINTMENTS

New chief for Channel tunnel **company**

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Mr Jack Lemley, a leading US engineer, has been appointed chief executive of TRANSMANCHE LINK, the Anglo-French contractors building the Channel tunnel, writes Andrew Taylor Construction Correspondent. The move is part of a series

of management changes at Transmanche and Eurotannel the publicly quoted company which will operate the tunnel the tannel, when it opens in

Relationships between Eurotunnel and its contractors became strained last year contributing to the management changes and a revised construction agreement announced earlier

this year. Mr Lemley, 54, previously has been a vice president at Morrison-Knudsen, the large US-based construction group, where he was general manager of the large King Khalid military city project in Saudi Arabia. He has wide experience of tunnelling. Management changes at :

Transmanche have included the appointment as chairman of Mr Phillipe Essig, a former chairman of SNCF, the French state-owned railway. Mr Andrew McDowall, previously chairman and chief executive, has become deputy chairman Mr Francois Jolivet, director general in charge of French. construction operations, has also decided to leave Transmanche and rejoin his

company, Spie Batignolles, one of the founding shareholders of the Channel tunnel project.

Mr Tony Ridley, former chairman of the London Underground, was appointed joint managing director of Enrotunnel at the beginning of this year. Mr Alain Berirand, a former executive of SNCF, was appointed joint. managing director in charge

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appointed joint managing director of R. & W. SCOTT,

Mr John Sharpley (above) has been appointed managing director of CHAMPION SPARE PLUG CO for the UK and Eire. He was chairman and manag-ing director of Specira Brands. He succeeds Mr Bill Graham who has become vice president of Champion's Asia Pacific region, based in Singapore.

of developing the railway system which will run through the tunnel

SOn Angast 10 Mr Tom Robson will succeed Mr John Marvin as chief executive of HICKSON INTERNATIONAL.

meeting in April 1990, when he will succeed Mr Melvyn Hopley as non-executive

ENTERPRISE.

EUROFI has appointed Mr Frank Brown to the board. He is managing director of the SME Services division.

executive deputy chairman of the North of England Building Society, has been

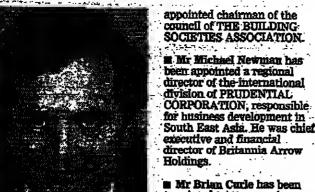
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A MEMBER OF ARTI-LIP YOUNG INTERNATIONAL Arthur Young, 7 Flois Buildings, Father Land, London EC-IX 1984





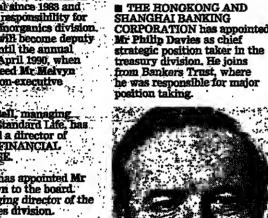
Carluke, Lanarkshire, maker of Scotbloc cooking chocolate. He was marketing director. Mr Graham White is to become managing director of James Neill Tools and join the board of JAMES NEILL HOLDINGS on May 28. He is managing director of Pegler, part of the F.H. Tomkins

been appointed managing director of DEUTSCHE BANK CAPITAL MANAGEMENT INTERNATIONAL. He was executive director of Sun Life Investment Management Services.

Mr Robson has been an executive director of Hickson International since 1983 and has specific responsibility for the group's inorganics division. Mr Marvin will become deputy chairman until the annual

Mr.A.S. Bell, managing director of Standard Life, has been elected a director of SCOTTISH FINANCIAL

Mr Frank Strickland,



Group.

Mr William R. Richards has



DOMINO PRINTING

SERVICES has appointed Mr Gerald L. Dennis (above) as non-executive chairman. He is a deputy chairman of B.A.T. Industries, and non-executive chairman of Parker Pen Hold ings. Mr Alan Barrell, who was both chairman and managing director, now becomes group chief executive.

Tubular Exhibition rights to raise £3.5m

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By David Watter

TUBULAR EXHIBITION, a manufacturer of hospitality chalets and crash barriers, is raising \$3.5m net by way of a one-for-two rights issue. Of this, £2.62m will spent on acquiring Black and Edgington from Trusthouse Forte and the halance used to cut borrowings.

The new shares are being issued at 21.5p each, compared with Friday's closing price of 23'/JD.

Turnover for Edgington amounted to £7.76m in the year to the end of October 1988 with pre-tax profits of £614,000. It bires margues and canvas for special occasions, and provides temporary buildings for events such as the Farnborough Air Show and Wimbledon.

Tubular also announced its interim results. For the six months to the end of January, the company made pre-tax. profits of £541,000 on turnover of £2.78m, up from £328,000 on £2.05m in the 10 months to the end of January 1988. Earnings per share for the half year rose to 0.77p (0.53p).

Royal Sovereign £2m acquisition

Royal Sovereign Group, the graphics and stationery distribgraphics and stationery distrib-utor formerly known as Abel-scot, has conditionally acquired Papergraphics, a Sus-sex-based paper and film sup-plier, for £1.95m via the issue of 1.1m new ordinary shares. The acquisition will help Poyal Soversign introduce Royal Sovereign introduce additional products to the com-puterised drawing office market. Papergraphics made prof-ita of £279,000 pre-tax on turnover of £2.22m for 1988. Mr Tim Seymour, a corpo-

The following securities were added to the Share Information Service in Friday's edition;

Lambert Howarth hits out at Peter Black approach

By John Ridding

1.1

footwear and luggage group, has firmly rejected the 59.3m bid approach from Peter Black, the consumer goods manufac-turer and distributor, as unwelcome and inadequate. In the company's defence COST_

document, Mr Martin Jourdan, chairman, said a revaluation of certain of Lambert's assets had yielded a net asset value of 207p per share, far in excess of the offer from Peter Black which valued the shares at about 165p. Lambert's shares closed 4p down on Friday at

191p. The restated asset values included a revaluation of the company's property in London and the north of England. It also reflected Lambert's deci-

Buy-in at Wimpey offshoot

developing a group of co-ordi-nated companies supplying a range of passive electronic and

By John Ridding

GEORGE WIMPEY, the construction group and Britain's second largest housebuilder, has disposed of Wimpey-Duhilier, a snhsidiary which manufactures electrolytic capacitors and other lectronic components, through a management huy-in for £8.2m.

electro-mechanical compo-Ecsys, the management com-pany through which the deal was effected, is headed by Mr nents. He said that there was continuing expansion in the market for electronic, rather Jo Rawicz-Szczerho, former director of MK Electric Group, than mechanical, controls in industry. and includes two existing exec-

The expansion of Ecsys is to utive directors of Wimpey-Du-

.

BTS expands computers

By Clare Pearson

THE NEW management at BTS Gronp, the USM-quoted remoulded tyres and batteries concern, is moving ahead into the office services market with the purchase of Micro Marketing, a mail order supplier of computer equipment. The acquisition, costing up to £2.5m in shares, follows the February purchase of Hiclon, a supplier of computers, photo-copiers and facsimile machines

for a maximum of £5m. Mr Michael Scorey and Mr Janusz Heath took control at BTS at the end of last year under a management huy-in.

An an an area

The second

LAMBERT HOWARTH, the sion to account for its 30 per "unimpressed by the defence document". Mr Stephen Lister, finance director, said there was cent holding in Valley Supply, a supplier of footwear components, as an investment in an no mention of the commercial associated company rather nature of the deal and that than taking it in the books at they would be looking in detail at the asset revaluation. He said that Peter Black con-

UK COMPANY NEWS

Mr Jourdan described Peter Black's approach as "an opportinued to regard its offer as tunistic attempt to take advangenerous in that it was 31 per tage of Lambert Howarth's curcent higher than Lambert's rent recovery following its only year of loss". share price immediately before Futura Holdings, a footwear

He added that management and rubber compounds manurestructuring and other remefacturer, took a 5.6 per cent stake early in April. Peter Black repeated its con-tention that it could provide hetter management of Lamdial actions had brought the group back on course and that "meaningful profits were expected in the current year". in 1988 Lambert incurred losses of £615,000 compared bert's assets and that the com-bination of the two companies with profits of £2.12m in 1987. Peter Black said it was

would permit economies of

sition and development of small to medium sized compahilier. The deal was underwrit-ten by Lloyds Development Capital. nies. The intention is to float Mr Rawicz-Szczerbo said that Ecsys was formed around nine months ago with the aim of the company within three to five years.

Wimpey said the disposal reflects its current strategy of focnssing on its core business areas - housing construction, minerals and property. It has no other subsidiaries in this area.

Wimpey does not break down profits for subsidiary companies hut said that Wimpey-Duhilier returned record profits in 1988.

Highcroft Trust

be achieved through the acqui-

up 16% at £0.6m Highcroft Investment Trust the financial trust holding both Pre-tax profits for the original property and stock exchange activities fell by nearly a quar-ter to £81,000 in the six months securities, lifted pre-tax profits 16 per cent in 1988. The taxable to September 30 1988. Three-year-old Micro Market-ing claims about 1,200 active advance, from £529,000 to £612,000, was struck on turn over raised from £614,000 to customers for its micro com-£697.000. After tax of \$195,000. (\$117,000), earnings came out at 7.69p (6.48p). The final dividend is increased to 1.75p (1.6p) to puters, printers, software packages and computer supplies. It is expected to benefit from being run alongside Hilcon. Initial consideration is firm with the balance depending on profits in 1988 inb the year to make 2.95p (2.7p) for the year. At year-end free and lease-hold properties were revalued December 31. In its last finanat £11.28m. The ensuing surcial year, it made £300.000 preplus of £1.81m over book value tax on sales of £3.77m. Net was transferred to the revaluaassets are about £277.000. tion reserve.

Bowater's interest in Chamberlain now 24%

29

By Phillip Coggan

BOWATER Industries, the packaging and industrial products group, has increased its stake in Chamberlain Phipps, the shoe components and adhesives group, to 20.5 per cent.

Together with acceptances. that gives Bowater, which is bidding cash, around 24 per cent of Chamberlain compared with the 17.1 per cent pledged to rival all-share bidder Evode, the plastics and chemicals group. The Chamberlain board announced last Thursday it was recommending the Evode

Meanwhile, Evode spelled out the £3.5m of rationalisa-tion benefits it claimed would result from the Chamberlain merger. It said that Chamberlain sites would be used more efficiently, some manufacturing operations would be relo-cated, and the head offices would be integrated.

Wertheim Schroder buys more **BMP**

With Boase Massimi Pollitt, the UK-based advertising agency group which is fighting a £103m hostile bid from the French BDDP company, due to unveil its 1988-89 profits today, Wertheim Schroder has revealed that it had acquired another 250,000 shares in the

target company. This lifts the stake held hy Wertheim, the US investment banking arm of Schroder, to 1.575m shares or 4.6 per cent. In its disclosure statement, Wertheim again stated that the shares had been acquired on behalf of discretionary clients.

It paid between 320p and 321p - well above the 300p-ashare cash offer from BDDP.

Newarthill sale

Newarthill, the quoted holding company for Sir Robert McAlpine & Sons, the civil engi-neer, has sold its 14.6 per cent stake in Whessoe, the pipe-work maker and process plant contractor.

Whessoe said the shares had been sold in the market to a number of institutions.

Section 22. Constraints

mark a doubt rate water

rate financier, was appointed chairman of Royal Sovereign at Friday's annual meeting.

FT Share Service

Davenport Vernon (Section: Motors-Garages). LETINVEST 104-114% Stppd. Db. 2012 (Property).

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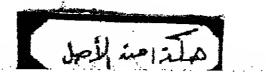
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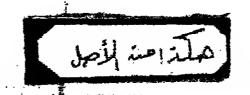
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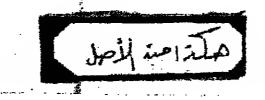
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THURSDAY MAY 4 1989

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CURRENCIES, MONEY AND CAPITAL MARKETS

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Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzie In conjunction with the Institute of Actuaries and the Faculty of Actuaries

Div. Yield

Dollar

CURRENCIES AND MONEY REVIEW Yield differentials favour the dollar

GLANCING AT recent US economic data and the trend in world interest rates the dollar does seem surprisingly firm. This tends to ignore some less obvious considerations however.

Recent figures have pointed to a slowdown in the US econ-omy, but the Federal Reserve is most unlikely to relax its monetary policy until it is coo-vinced that inflation no longer poses a major threat.

Chase Investmeot Bank points out that the inflation differential between the US and West Germany has nar-rowed in favour of the US since the beginning of 1989 to 2 per cent from 2.7 per cent, with the respective annualised rates now 5 per cent in the US and 3 per cent in Germany. This means the real yield differen-tial in favour of the dollar has improved by about 1 per ceot oo three-month money since January, hence the underlying strength of the US currency. Chase forecast an early test

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of DM1.90 for this reasoo. It happened on Friday and was met with co-ordinated central hank intervention. The mar-ket's attack on DM1.90 was almost certainly quicker than anyone could have expected, after Friday's very weak April US employment data, but it came after economists exam-ined the figures more closely on to the fact that although the hasic data were weak there was no let up in wage inflation, with average hourly earnings in April rising to \$9.59 from \$9.52 in March, while the aver-age number of hours worked per week rose to 35 from 34.6. Chase Investment Bank expects the dollar to remain relatively firm and in a narrow and noted rising wage inflation and an increase in the average range of DM1.85 to DM1.89. Chase's view of the dollar's working week. After a brief dip on the headline employment likely value in three-mooths is DM1.87. Mr Neil MacKinnon, senior economist, at Chase said be expects the US currency to rise news the dollar paid scant regard to the announcement that unemployment rose to 5.3 per cent from 5.0 per cent, or that non-farm payrolls rose against the yen, eveo if the dol-lars movements against tha only 117,000, against 171,000 in March. A survey by MMS Inter-national forecast an unemploy-ment rate of 5.1 per cent and a D-Mark are limited in the immediate future. The Recruit Cosmos share scandal will continue to cast a political shadow over the yen and there is also

CURRENCY RATES

rate te

May.5

Special* Drawing Rights

European Currency Unit

gain in non-farm payrolls of 220,000. no sign at present that the Bank of Japan intends to tighten its monetary stance. The dollar fell from \$1.8965, Mr MacKinnon contrasted the the difference in the offbefore the announcement, to a low of \$1.8800 immediately after, but then bounced up to \$1.9000, as the market latched cial reserve holdings of the Bank of Japan and the West

German Bundeshank. The Bank of Japan has around \$100bn with which to defend the yen if required, while the Bundesbank has only \$55hn, and has seen its reserves fall by cheart 20 per cent in the last Figures in parentheses show number of stocks per grouping by about 30 per cent in the last year.

On this hasis the Bundes bank appears to be much more likely than the Bank of Japan to be forced into another rise in interest rates. If the Bundeshank does resort to another rise in rates the yen can be expected to lose ground the D-Mark.

Mr MacKinnon believes t strong protectionist lobby the US has encouraged Jap to look towards Europe trade and that a weakening the yen against the D-Mark le EMS block will be welcomed i Tokyo. It will help build u Japan's manufacturing pos-tion in Europe before the cru ation of a single Europea market in 1992 market in 1992

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er grouping	Index	Dec.30 '88	Index	Index	Dec.30 '88	Yield	- Index	Index	Index	High	Low
ustralla (89)	137.25	-5.0	121.56	114.02	+1.3	4.88	138.06	121.58	114.46	157.12	128.2 92.8
ustria (19)	123.47	+28,7	109.35	121.17	+ 36.7	2.1a	122.60	107.97	120.45	124,18	128.5
eleium (63)	133.68	- 1.1	118.39	130.38	+4.8	417	133.00	117.13	130.38	137.10	124.6
elgium (63) anada (127)	135.04	+8.4	120.48	116.58	+7.4	3.37	135.80	119.59	116.47	137.27	165.3
enmark (38)	180.01	+5.6	159.43	180.61	+ 13.7	1.85	180.08	158.59	180.26	180.57	
Inland (26)	151.65	+ 15.9	134.81	134.50	+ 17.6	1.58	152.92	134.67	135.24	159.16	- 125.6
rance (130)	119.09	+3.5	105.47	119.69	+9.5	3,10	113.67	104.69	110.11	122.79	112.
Vest Germany (100)	86.10	-21	76.25	84.98	+4.8	2.35	85.61	75.39	84.21	90.40	61.
long Kong (49)	138.30	+23.7	122.48	138.14	+23.6	3.67	136.12	119.87	135.98	138.90	1114
	147.40	+11.9	130.55	147.77	+ 19.7	2.85	147.75	130.11	147.38	151.36	125.
reland (17)	80.52	- 5.4			+0.4	2.52	61.11	71.43	83.78	86.88	78.
aly (98)		-11	71.31	83.35	+6.3		189.96	167.29	160.84	200.11	180.
apan (455)	189.47		187.80	160.84	+26.3	0.47	121.28	159.65	188.16	182.14	143.
laiaysia (36)	182.14	+26.9	161.32	189.10	+20.0		182.46	160.68	486.25	182.88	1533
lexico (13)	182.12	+ 12.5	161.29	485.54		1.04	118.98	104.78	115.75	122.22	110.
etherland (42)	119.00	+ 5.9	105.39	116.23	+ 13.1	4.43		64.09	61.99	76.02	66.
ew Zealand (24)	72.81	+7.7	64.48	61.71	+8.3	6.00	72.77	164.03	173.30	196.39	139.
orway (26)	187.99	+35.3	106.49	175.42	+ 41.7	1.53	186.26		142.22	158.19	124.
ingapore (26)	158.14	+26.4	140.05	142.14	+26.8	1.91	158.19	139.31	126.34	144.86	115.
outh Africa (60)	138.16	+18.2	122.37	126.37	+28.6	4.10	137.84	121.39		156.17	143.
pain (42)	152.83	+3.0	135.35	136.33	+7.0 -	3.57	153.25	134.96	136.24	162.00	138
weden (35)	157.68	+9.0	139.65	160.21	+14.6	2.29	157.92	139.07	150.03	79.76	73.
witzerland (57)	73.63	-5.7	65.21	77.54	+6.8	.2.39	74.29	65.43	77.66		134.
nited Kingdom (315)	148.06	+9.4	131.13	131.13	+18.2	4.32	147.96	130.30	130.30	153.33	
SA (560)	125.27	+ 10.7	110.95	125.27	+ 10.7	3.56	125.35	110.39	125.35	125.97	112
Urope (1008)	119.80	+4.4	106,10	112.77	+12.2	3.56	119.75	105.48	112.24	121.70	114
lordic (125)	154.60	+10.7	136.93	153.16	+24.3	1.98	154.78	136.25	152.83	155.61	137.
acific Basin (679)	186.14	-0.6	163.97	- 157.06	+8.0 .	0.69	. 185.57	163.42	157.63	194.72	176.
uro -Pacific (1687)	158.02	+0.9	140.83	139.77	+8.2	1.57	169.25	140.24	139.55	164.22	152.
orth America (687)	125.82	+ 10.5	111.43	124.74	+ 10.5	3.55	125.88	110.85	124.81	126.52	112.
urope Ex. UK (693)	102.25	+0.7	90.58	101.41	+7.4	2.94	102.22	90.02	101.07	105.29	98.
acific Ex. Japan (224)	133.17	+6.9	117.94	117.64	+ 10.3	4.30	132.80	116.95	117.23	137.65	123.
			139.95	139.00	+8.3	1.65	158.23	139.35	138.78	162.77	152.
lorid Ex. US (1887)	158.02	+12				2.03	145.16	127.83	. 134.60	146.04	138.0
lorid Ex. UK (2132)	144.97	+3.5	128.39	134.65	+3.1		145.44	128.08	134.25	146.65	138.
orid Ex. So. Af. (2387)	145.27	+3.9	128.66	134.36	+8.9	2.23			120.37	124.65	114.
forid Ex. Japan (1992)	124.07	+8.2	109.89	120.55	+11.2	3.59	124.07	109.26			_
he World Index (2447)	145.23	+4.0	128.52	134.30	+9.0	2.24	145.39	128.04	134.19	146.51	138.0

1988 -Values: Dec 31, 1966 - 100; Finland: Dec 31, 1967 - 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.0 5 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local). right, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1987 its closed May S.Belgium and Japan. 4 . .

FRIDAY MAY & 1965

Sterling

Local

Index

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na pre		d discourses			- Aus	urian Sch. gian Frank	7.75	H/A N/A	1	4 6545	Austrian Schl Beiglan Frank	106.6 105.8	+9.9	Hong Koog _	13,0405-	13.0535 7.779	-7.7810					
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MONEY MARKETS London rates hold **below 13%**

LONDON MONEY market rates did not respood to the strength of the dollar on Friday, but the risk of another rise in UK bank base rates appears to be more international than domestic at present.

Three-month sterling interbank was unchanged at 124-1212 per cent, despite the pound's fall of nearly 1 cent to \$1.6740, the lowest level since last September. Rates tended to ease in London on news that the number of bills oo offer will be increased at the weekly Treasury hill tender. This indi-cates that the Bank of England expects the market to remain liquid, and is trying to absorb surplus funds by selling more bills.

The markets watch on infla-tion will continue this week, with publication of UK producer prices today, followed by US producer prices and possi-bly West German and Japanese

For a full editorial synopsis and ad

2

wholesale prices on Friday. Wholesale inflationary pressure in the UK may show signs sure m the UK may show signs of flattening out, according to a survey by MMS Interna-tional. A rise of 1 per cent is expected in April input prices, against 1.4 per cent in March.

647.5 1000,

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18.48 28.53

NEW YORK

UK clearing bask base leading rate 13 per cent from November 25

This would leave the year-on-year rate unchanged at 6.7 per cent and provida some comfort for the Government in its battle against inflation. On the other hand the mar-

ket's forecast for US input prices in April is for a rise of 0.7 per cent compared with 0.4 per cent the previous month.

(4pm) Prime cate Booker loan rate Fest funds at Intervention.	107-1	Des month Perce anorth Six sconth Der yver		8.47 For 8.74 Fine 8.89 Seres	707	8.98	-		
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MONEY RATES

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Treasury Sills and Bonds

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LONDON MONEY RATES

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ank Bills (Buy)		-	124	122	124	•
ine Trade Sillis (Buy)		- 1	13	134	128	-
Jollar CDs	1 - 1	-	9.85	9,90	9.95	10.10
DR Linked Dep Offer			84	84	8	81
OR Linked Dec Sid			A	84	81 1	Â1

81 84 9 94 ked Dep Offer _____ ked Dep Bid . ____ Treasury Billis GelD: one-month 123 per cent; three months 123 per cent; Sank Billis GelD; one-month 124 per cent; three months 127, per cent; Treasury Billis Arerage Lender rate of discount 12.27 pp. ECGO Fixed Rate Storling Export Finance. Maile up day April 26 1/987 for Agreed rates for period Mar 24, 1997 to June 25, 1999, Scheme I: 13, 99 a.C., Schemes II & III 14.43 p.c. Reference rate for period April 1 to April 28, 1999, Scheme IV&V: 13.209 p.c.Local Authority and Finance Houses sever days' molte, others seven days' finder. Finance Houses Base Rate 1312 from May 3. 1997. Bank Deposit Rates for sums at seven days finder. Finance Houses Base Rate 1312 from May 3. 1997. Bank Deposit Rates for sums at seven days incluse 4 per cent. Or entities of Tax Deposit (Series 6). Deposit Rates for sums at seven days molte 4 per cent cantority and or house 11 per cent; three-sit momits 11 per cent; six-nike months 11 per cent; withdrawn for cash S per cent.

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LONDON RECENT ISSUES

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Lis climbing in a roug mountainous area (5) 2.Reproduce? (2-5) shooting (6) 4 Support delay (4.2) 6 Is set in this month's rough

As used for wrting down

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6 Pops round to unload guilt (5.2) 7 Mistakenly he praises hypo-

6 Fair son worked to a degree (2.2.3)
11 Speat in rictors living (10)
12 Miss 1 across (4)
13 Strips being about to get some rest (5)
14 Taken III (5)
16 For an NCO such punishment may well involve strips (8).
13 They carry goods south in stormy seas (5)
20 Their quarters are combed for food (4). 7 Mistakenly he praises hypocrites (3)
10 Destroy bacteria in a way that is Lister's (3)
13 Jackon would not hold prisoners? (9)
15 Rodents climbing on the table? Right (9)
17 They pound away with mortars (7)

tars (7) 19 Such money is for saving (7) 21 If was once thought incredi-ble (4.6)

19 Such money is for saving (7) 21 Fruit crop (5) 23 Appearing upright before getting caught (5) The solution to last Saturday's prize puzzle will be published with names of winners on Sat-Die (4.6) 23 Drop the name of a acape-goat (4.6) 24 Film show (7) 25 Tied up and whipped (6) 26 Notice a split coming (6)

unday May 20.

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	SUCCESSFUL CURRENCY FORECASTING BEGINS HERE with the FOREXIA CURRENCY PROPHET-a subscription service that gives you a complete, independent foreign exchange research and forecasting centre on your own PC. Every major currency graphed with clear written forecasts. Forexia's activice puts you in control- the competitive edge you need if you are exposed to foreign currency As acclaimed by top financial players around the world. Call, fax or write to: FOREXIA (U.K.) UMITED, 149, Petersham Road, Richmund, Surrey, TW10 7AH, U.K. Tel: 01-948 8316. Fax: 01-948 8469.	Treasury 81 Band 2 B Band 3 B Band 3 B Band 3 B Band 4 B

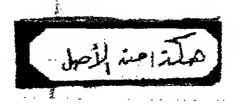
The Financial Times proposes to publish this survey on 23rd June 1989

Neville Woodcock on 01-873 3365

or write to him at Number One Southwark aridge London SEI 9HL

FINANCIAL TIMES

MAGAZINE PUBLISHING							
atch on infla- le this week, of UK pro- y, followed by es and possi- and Japanese	The Federal Reserve will not be encouraged to relax its tight credit policy if this is the case, while the UK authorities will be relieved by any indication that inflation may have peaked.	Dollar C SDR Lini SDR Lini ECU Lini ECU Lini ECU Lini ECU Lini ECU Lini Acreed ro 14,43 c; Authorit Rate 13					



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WORLD STOCK MARKETS

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us & Minerals	3313.5 3599.2	3309.4 3597.6	3348.7 3589.4	3369.8 3604.9	3564.9 (6/2) 3696.1 (8/2)	3207.5 (3/1) 3350.5 (5/1)	
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	TOP			S May 1989	Travelling by air on			
tomo Metal . usaki Steel _ m Steel	Stocks Traded 96.6m 63.2m 29.1m 27.3m 28.7m	Closing Prices 940 1,060 968 951 1,720	Change on day + 10 + 30 + 2 + 1 + 30	Cecks Gas Kobe Steel Works Witsui Shipbuild Ing Nissan 010401 Motor	Stocks Traded 21.4m 10.6m 19.1m 16.9m 15.2m	Closing Prices 934 932 1,510 965 1.210	+10 +2 +70 +2	Enjoy reading your complimentary copy of Times when you are traveling on scheduled BRUSSELS with Lufthansa, TWA, Sabena, Pan-Am, Bi Finnair

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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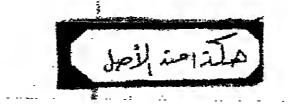
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FINANCIAL TIMES



Phoney war in European banking

s Enropean bankers contemplate the coming of the single market in financial services, many are starting to display some what amhivalent attitudes. Above all, in countries with less developed hanking systems, the prospect of fall-ing regulatory barriers is giving rise to uneasy intimations of mortality. The fear is that a cosy way

of life will soon be brought to an end as an army of bigger. stronger rivals from elsewbere In Europe - or further afield - sweeps in and grabs the jniciest domestic husiness. Still more disturbing to hank-erly sleep is the thought of falling prey to a foreign take-

over. Yet try turning the question round and ask how easy it is in practice for hanks to expand beyond their national borders: suddenly things look quite different. Most hankers respond on cue with a litany of risks and obstacles, many of which they expect to remain unchanged by the single market plan.

Both viewpoints cannot be right – and it is the former which appears the most dublons. For several reasons, expectations that 1992 will send banks stampeding pell-mell into each others' markets look, to say the least, premature. For once, the grass may not be greenest on the other side of the fence.

11

The biggest prizes of trans-European expansion lie not in the large corporate sector, which is already highly internationalised, but among small and medium-size companies and in retail services, where margins are generally fattest and growtb prospects most alluring. These areas are profitable precisely because they cannot be served easily with-out a substantial local market presence.

Routes to the far

side of the fence

he Baltic republics of the Soviet Union are husy exhuming their histories, and the most radical of their pro-independence leaderships charac-terise Soviet power as imperial-

ism. Soviet officials, for their soviet oniciais, for their part, until very recently have taken literally the adage that "the winners write the his-tory." State-published booklets on the Baltic region provide essentially moral tales depict-ing these republics in pre-Soing these republics in pre-So-viet history as swamps of oppression, injustice, under-de-velopment, even fascism. When Soviet power came, it always and everywhere transformed, ennobled, enriched. The inter-war years in which all three Palvie status had (offur shaky) Baltic states had (often shaky) independent governments are dismissed as an era of "bour-geois dictatorships."

Dislodging this view is not easy because very large num-bers of Russians live in the industrialised Baltic region, mostly working in state enter-prises and seen by natives as

states, Estonia and Lithuania,

less obviously rebellious than

nearly 80 per cent Lithuanian.

at least as sensitive,

USSR Supreme Soviet.

the latter.

His importance lies not so much in his personality or con-victions, but in the skill with In February this year, the Latvian journalist Edvins Inkens, now a delegate to the which be can mediate between Latvian nationalism, the differ-

ent cnrrents within the Latent chriefts within the Lat-vian Communist Party, the resentful and fearful Russians who live in Latvia, and the often conflicting messages coming from Moscow. In short, be must develop political skills of a kind most Soviet leaders have had little USSR Supreme Soviet, told a conference of Latvian col-leagues: "We are experiencing a social revolution in which the class that has to be toppled is the contemporary mutation of the Russian feudal aristoc-

racy - the directors and the administrators. In (this revolution) there are those who need

He is almost certainly the most popular party official in the republic.

PERSONAL FILE

liberating: we (Latvians) are 1943 Born, Latvia. worked as huildar in countryside Latvia, in particular, feels the weight of Russia, because unlike the other two Baltic hafora joining Konso-mol; educated Riga Polytechnic and Academy of Social Sciances In Moscow Its ethnic people are in a minority of perhaps as low as 40 per cent. It has thus been 1985 Sacratary of cantral committee of Latvian **Communist Party** Estonia where around 60 per cent of the population is indig-enous, or Lithuania, which is 1988 Presidant of the presid-ium of Suprema Soviet

of Latvia 1989 Elected Daputy to the Yet bow it decides to handle its USSR Supreme Soviet

people's new quest for sover-eignty and a revision of the past will be - precisely because of the ethnic balance use for, since in the end they could rely on passing the buck up, or if they were up, on fiat or on covert dealing. Mr Gor-bnnovs must deal openly because politics in the Baltics Anatolijs Gorbunovs is the most important man in Latvia in this delicate process. Presi-dent of the presidium of Lat-

is breaking open. Already wide open is the rift via's Supreme Soviet (parliameot) since 1988, he was this year elected as deputy to the between the two main "infor-mal" political groups in the republic. These are the Popular Front of Latvian Nationalists, and the Inter Front, represent-ing the Soviet Union.

With a career of party work behind him at 46, Mr Gorbn-novs is no radical nationalist. "So many of the problems with which we now have to deal are connected with the Though a handsome man, with a little of the looks of a 1950s matinée idol, be is not charisexistence and the survival of the Latvian nation," says Mr Gorbyunovs. "The law on lanmatic and does not seek to dominate or spellbind either at the podium or in conversation.

guages, now the snhject of debate, is seen by Latvlans as returning them their language rights, while the Russians think thair rights will be diminished. At present, the national language

Latvia to produce its own pro-posals. On November 14, the Latvian Supreme Soviet, with some qualms among the more pro-independence deputies, passed a five-part programme for the republic's sovereignty which went to Moscow the next day and found cautious favour. The Latvian leader had

shown he could deliver. "To an extent," says Mr Gor-bunovs, "the emotion of fear lies behind what we are doing: fear of a loss of national identity. People have become much. 'To some extent fear lies behind what we are doing' more open about their nation-alist feelings. They bave become more radical. Of course, when radical emotions appear, it sometimes does harm to perestroika. My under-standing of independence? To be within the Soviet Federation. Strong republics create a strong union. Laws affecting the federation must be accepted by all the states. But laws relating to what happens within our own borders concern only us. Remember, we here are unique. Forty years ago the three Baltic states were independent."

The package of laws on which Mr Gorbunovs and his colleagues are working is designed to satisfy pragmatic nationalists and, by inference, isolate their numerous, uncom-promising pro-independence cousins. The package includes: • A language law, putting flesh on the resolution to make Latvian the state language;

• A law on immigrants, which would seek to dam the inflow of (mainly Russian) workers by demolishing the hostels in which most of them live, and imposing a huge 25,000 ronbles charge per worker an companies high worker nn companies hiring from nutside Latvia; • A law on elections to the

Latvian Supreme Soviet, which will scrap the practice adopted for the USSR Soviet of having one third of the deputies elected" by such organisations as the Communist Party, trade unions and the union of writers, and instead making all deputies dependent on direct election by the public; • A "Latvian cheque" system,

whereby all Latvian workers will be paid partly by cheques exchangeable for goods within the republic but not available outside. It is a tentative step

towards a separate currency, which Mr Gorbunovs said was considered but rejected for the

moment. His larger tests are to come. In the autumn he will run for re-election as President of the Latvian Supreme Soviet, this time backed by a popular

voice. Like many, he believes these elections, to the republican Soviets, will in practice be more important than the elections to a USSR Soviet in Moscow inevitably dominated, in spite of the well-publicised radicals, by the quiet, the safe and the compliant. It is the republican soviets which will tend to reflect more readily the strength of nationalist feeling. Their deputies will face most immediate pressure to show independence and must therefore develop political skills of

the kind Mr Gorbunovs already shows.

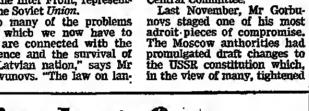
Monday May 8 1989

His most important skill is the ability to judge how radical he can be, and in knowing what is presently beyond the boundaries of tolerated discourse for a high official.

"I don't see a multi-party system," he says. "I think that in the real situation we are in that's impnssible. Why? Because most people want what the Communist Party has announced: perestroika. We have no alternative."

He may well be right in one assertion: "If I am elected Presassertion: "If I an elected Fres-ident of the Latvian Supreme Soviet, there will be consider-able change over the next five years." The movement for republican indepandence within the Soviet Union needs fixers as well as visionaries.

.



The Monday Interview

A visionary

and a fixer

for the Baltic

John Lloyd meets Anatolijs Gorbunovs, who

official language). So we have to takes steps to reverse that discrimination. The problem is,

of course, that in practice Lat-vians know both languages

and many Russians only one". Loss of language rights has caused riots and repression in many republics. It is an issue

which rallies students and the

intelligentsia, and evokes a response from a mass of people

who find Russian strange in

Bnt Mr Gorbunovs 1s

embarked on more than just a

linguistic reform. He is attempting to shape the insti-

tutions and politics of his little

state in a way which will not

provoke reaction from Moscow, but which will reach out to all

but the (many) all-or-nothing

nationalists among the ethnic

It is, for a Soviet politician

like riding a tiger. "The Baltic republics feel most of all the problems created by central-ised power," he says.

"We believe that we now know better than the centre

how to increase our economic efficiency. This is a moving sit-

nation. Only 18 months ago these ideas were being critic-ised: now they are either being

adopted in law or are being considered within the (USSR) Central Committee."

their mouths.

Latvians.

leads Latvia's push for autonomy rather than loosened the grip of the centre. Nationalists everywhere staged riots, dem-onstrations, bunger strikes and protest marches. In Latvia, nearly im people signed a pronational language, Latvian, meets discrimination (legally, Russian takes precedence as an

Mr Gorbunovs called, not for rejection of the reforms, but for

To break in, newcomers have two choices. One is to set up their own distribution networks. This ronte, however, not only involves big invest-ments but can he slow to yield results. Those who have tried it, as Citibank did a few years ago, have found it can be an uphill battle to wean European customers away from their traditional bank relationships unless they have something

really special to offer. The other option is to acquire an established local partner. However, good oppor-West Germany and Italy, big chunks of the banking sector are publicly owned. It is also questionable how many central banks will he willing, even after 1992, to see a major bank under their control fall into foreign hands. Crossshareboldings are an easier alternative. But because such arrangements are by definition friendly, those involved seem unlikely to compete very hard for husiness on each others' home turf.

Indeed, the only sizable cross-frontier acquisition in the past few years has been Deutsche Bank's 1987 pur-chase of Banca d'America e d'Italia. Exchanges of shareholdings have heen scarcely more frequent, the main examples being the Dutch Amro bank's tie-up with Belgium's Générale de Banque and the link between Royal Bank of Scotland and Banco de Santander of Spain. None of these deals, moreover, has yet pro-duced any striking changes in the market behaviour of the institutions concerned.

The current situation, there-fore, has the appearance of a phoney war. In which serious hostilities have yet to break ont. While scope exists for profitable cross-border expanion, it seems more likely to be found by carefully exploiting niches than hy monnting full-scale assaults on others'

markets. None the less, a potential threat can sometimes be as powerful a stimulus as a real one. In much of Europe, 1992 is being seized on by govern-ment authorities as a reason to press ahead with domestic deregulation and hy local banks to cut costs, restructure and innovate. As a consequence, the biggest competi-tive challenge confronting many European bankers may come from the forces for change developing inside their own national frontiers, rather than from outside them.

used by courts routinely. By the end of 1983, 88 orders had Guy de Jonquières | been made in the Central Crim-

strait-jacket for judges and editors

he sharebolders of Barlow Clowes may not readily appreciate the reason wby they are not, for the time being at least, allowed to know what is happening in the litization being conducted low Clowes may not the litigation being conducted in the Chancery Division of the High Court to decide whether £16.2m should be credited to the Gibraltar-based Barlow Clowes International or to the UK fund, Barlow Clowes Gilt Mangers. The ostensible reason is the use to which a modern piece of legislation dealing with contempt of court is being put, which interferes danger-ously with the media reporting of court proceedings that are in

every other respect open to public scrutiny. Some Barlow Clowes sharebolders may easily learn what is going on in their names, simply by attending personally in the court of Mr Justice Peter Gibson and then passing on the information by word of mouth to their fellow shareholders. But they cannot hear about the case through the medium of any nawspaper wishing to report tha evidence. Why was the judge prevailed upon to impose such a ban on

contemporaneous reporting of court proceedings? The immediate cause for invoking a section in the Con-tempt of Court Act 1981 was an application for that han on reporting by the Serious Fraud Office. That public authority had heen alerted by reports that had appeared in a number of neuropport of coupacity but of newspapers of counsel's put-ting submissions to the judge on the first day of the case. The concern was that material was being ventilated in public in civil proceedings which was directly relevant to criminal proceedings pending against Mr Peter Clowes and three of his business associates. The law of contempt says that, if it appears necessary for the purpose of avoiding a substantial risk of prejudice to the administration of justice in instant proceedings or any other proceedings, pending or imminent (such as a future criminal trial), the court may order the postponement of the reporting of the proceedings. A general worry about this particular restraint on press coverage is that, in the absence

JUSTINIAN inal Court alone. Examples have arisen out of cases of foot-

ball booliganism in 1983, the trial of Soraya Khashoggi's chauffenr in November 1985 and a charge against Lord Blandford of supplying cocaine in October 1986. Let it be said instantly that Mr Justice Peter Gibson in the Barlow Clowes case displayed extreme reluc-tance in making the order post-poning publication indefinitely. He has already indicated that when he delivers his judgment be intends that there should be an agreed statement about the case thet can prop-erly be released to the press.

Before the 1981 legislation the position was altogether much more satisfactory. Any question of restricting reports of court proceedings was left to the complete discretion of judges and, even then, it was invariably done, not by order hut hy request to the press, During the trial of John Poul-son in 1974, for example, Mr Poulson gave evidence abont his association with another man against whom separate proceedings in conjunction with Poulson himself were still outstanding. The Times report of the proceedings carried a note stating that "it had not been able to report Mr Poulson's evidence fully because of Mr Justice Waller's request" to the press not to publish. The procedure adopted in that case was entirely heipful and was well-suited to keeping restrictions on press reporting to the minimum. Now, however, that parliament has spoken, flexihil-ity has gone and judges feel constrained hy the words of the statute to order postponement of the publication of court proceedings in many cases where previously they of any statistical evidence, the statutory provision is being

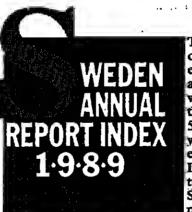
would not have done so. The test for making the order of postponement of publication is one of necessity and

not simply of desirability or expediency. Different judges however have different views as to what is necessary. The necessity is, of course, to avoid any substantial risk of prejudice. But unlike the test of contempt generally under the 1981 Act there is no explicit requirement in the case of a postpone-ment of publication that such prejudice be "serious." Even if judges import the notion of seriousness before being per-suaded to impose a ban, views will differ as to the risks of preindice, serious or not so

serious. Some judges instinctively credit those who may find themselves serving on a jury in future criminal proceedings with short or defective powers of recollection or recall, or even an ability to put out of their minds anything which they have not beard in evidence in court. On the other hand, there is an all-too-ready assumption among some judges that prospective jurors must have read earlier reports of the case that they are trying and retained sufficient knowledge to influence their decision-making.

All that one can hope for is that judges, sensitive to the overriding need for open jus-tice, will be robust in considering any ban on publication. Doubtless a Chancery jndge, faced with the views of the Serious Fraud Office that there will be, in the particular case, a substantial risk of serious prejudice to the administration of justice, will how to such commendable sensitivity by a public prosecutor for the protection of accused persons.

There is a great deal to be said for leaving all these mat-ters to tha good sense of edi-tors under the guidanca of judges uninhibited by parlia-mentery promoted by parliamentary precept. A written rule tends to place the court in the strait-jacket of statutory interpretation and judicial rigidity in application. A code of practice rather than tha rule of law will almost always pro-vide a more acceptable solu-tion. Perhaps the Govarnment in its purjers of the law of wei In its review of the law of pri-vacy "and related matters" should include a study of the law relating to the reporting of court proceedings. In that way perhaps an unnecessary restraint on the freedom of newspapers to report what goes on in open court may be removed.



In 1988 the Group turnover amounted to Skr 16,413m. The

profit after financial earnings and expenses rose by 50% to Skr 2,812m. This corresponds to a return of 25.1% on investment. The rate of return on adjusted equity capital after estimated full tax worked out at

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24.7%. Since it was founded in 1862 Sandvik has developed from a provincial Swedish steelworks to a diversified materials technology enterprise with a strongly international structure. Two factors that have done much to promote this development are ceaseless product renewal, featuring ever more advanced technology, and a purposeful commitment to international marketing in close contact with customers throughout the world Sandvik is the world's largest producer of cementedcarbide products. Cemented carbide is a powder-metallurgical product in which the main components are tungsten carbide and cobalt. It is mostly used in three fields of

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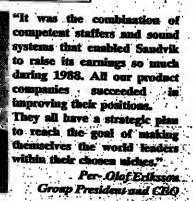
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SWEDEN ANNUAL REPORT INDEX 1989

May 8 | FINANCIAL TIMES MONDAY MAY 8-1989 SECTION III **FINANCIAL TIMES**



A general election in September is likely to clear away some of the country's Dolitical

uncertainties. While progress out of economic crisis continues, there is no clear sense of the direction the country is likely to take into the 1990s, writes Robert Taylor

A fragile revival

THE PUBLIC mood of Norway this spring is both volatile and apprehensive. No one is taking bets on the likely outcome of the general election due in Sep-tember and, at the same time, there is no clear sense of the political direction the country is likely to take into the 1990s. On the face of it, Mrs. Gro-Harlem Brandtland's minority. Labour government should be looking forward to the approaching contest with reasonable confidence that it can win a fresh mandate. But, for a range of idiosyncratic reasons, no such confidence exists.

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When Norway's formidable Prime Minister took office in May 1986, after the break-up of the non-Socialist coalition of Kore Willoch, she inherited the worst economic crisis that the country had faced since the 1930s. Plummeting oil prices had precipitated a cut in pur-chasing power totalling 10 per cent of the country's gross domestic product. The Organisation for Economic Co-opera-tion and Development observed that this amounted to "a much bigger supply shock, than any OSCD country had to face during either of the two oil price hikes in the 1970s" Through a strategy of relative financial austerity and hard-headed pragmatism, Mrs-

1. 1. 2.

Brundtland and her colleagues have pulled Norway back from the brink. Mrs Brundtland called a halt to years of extravagance, when Norwegians - spent, and bor-rowed beyond their, means on the back of North Sea dil reve-nmes. Without a majority in Parliament like, ming Labour party has with increasing effectiveness, adjusted the Nor-wegian economy to the conse-quences of lower oil pilces. Of course, there is, still a long way to go, but the prog-ress out of crisis has been real enough. In 1966 Norway had a current account deficit of

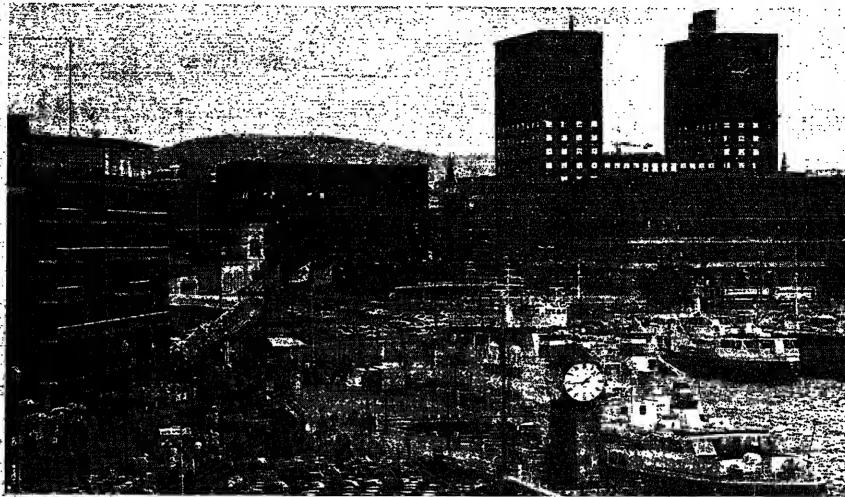
current account deficit of NERIEN. The Ministry of Nirginn, The aunstry of Finance now believes the coun-try will enjoy a small surplus this year, namely due to the recovery moleprices. Inflation fell in February to under 5 per cent, the horist level for over 10 years. Prices for the year as a whole are constructed to rise by

a mere 4 per cent. During the seven years to 1997 Norway's export competi-tiveness suffered severely from high mit labour costs that were largely due to the encesses of the collective bar-gaining system. But last year's imposed - covernment, wave imposed + government | wage freeze-proved-to be surprisingly successful in keeping eautings increases down to 5

Onio harbour

the first quarter of 1989 equal to turnover for the whole of the first six months of last year. Indeed, the Oslo exchange has been the best market performer in the world so far this year. This reflects a well-founded

a whole are expected to rise by a mere 4 per cent. this year by nearly a third.



per cent. This spring employ-ers and unions agreed on a further year of voluntary pay restraint, which should mean the rise in earnings will be kept down to 4 per cent. The government has won the over-whelming support of Parlia-ment to impose penal sanc-

displayed a keen sense of realtions, against anybody who defies the incomes policy. The general impression that ism in what amounts to a deliberate enconragement of the market economy. The new the Norwegian economy is on. atmosphere was well illustrated when the government decided to suspend the turnthe road to recovery has had a dramatic impact on the stock market. The index rose by 31 over tax on shares from I Januper cent between January and March this year, lifting stock market turnover to NKr22hn in ary for a year, a measure that pleased the stock market.

The strong evidence of a turnaround in the Norwegian economy might have been expected to produce some polit-ical dividends for the Prime Minister but so for these do Minister, but so far these do not seem to have materialised. Similar political impetus ought to have been generated by Mrs Brundtland's high per-sonal standing. Over the past optimism in the Norwegian corporata sector, which enjoyed average pre-tax profits three years she has become an growth of 60 per cent in 1988. Last month the market ana-lysts Kleinwort Benson pre-dicted profits will rise again important figure in interna-tional politics. In effect, she has become the inheritor of the mantle of the late Olof Palme, the moral conscience of the It may seem rather surpris-ing that a Labour government Nordic region. Herself a mem-ber of the Palme Commission should have presided over such. on disarmament, she chaired a a revival of the private sector, Commission on the Environbut then Mrs Brundtland has ment that reported in 1986 and

and it was her initiative to call

environmental crisis.

plight of refugees in southern Africa. The Prime Minister is the current president of the European Free Trade Association (presidency rotates annually between member states).

KEY FACTS

KEY FACTS	Institute of Social Research		
Population 4.2m Area 324,000sq km GDP \$64.5bn GDP % growth 1.5 Manufacturing output % growth 0.8 Consumer prices % growth 6.7 Unemployment 3.2% Exports, volume % growth 8.7 Imports, volume % growth 3.4 Current account surplus 3.4 Exchange rate \$1 = NKr6.8220; E1 = NKr11.5225 (May 2 1989)	that one in every three are now changing their political loyalties between general elec- tions. Such a dramatic dealign- ment of the country's political allegiances underlines the national mood of turbulence. It also indicates a wider mistrust of politicians and the political system than Norway's voters have previously shown. In the opinion of Dr Valen this does not yet amount to a		

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Photography: Alan Harper	

crisis of legitimacy in Norwegian politics, but rather that a continuing decline of confidence in those who run the country means, indirectly, a weakening of democracy.

Yet there is not an entirely negative attitude in the country. There are signs, for example, that Norwegian public opinion is moving slowly towards support for the country's entry into the European Community. A poll conducted three months ago by the organ-isation MMI found that 35 per cent of respondents supported Norway's membership, while 30 per cent were opposed and the rest had no opinion on the question.

In a surprising development over the past winter, both the Conservative leader Mr Syse and, more recently, Mr Hagen of the Progress party have come out in favour of a Norwegian application to join the EC as soon as possible. By breaking with the nationally agreed ing with the hattonany agreed consensus of last year, which committed Norway to move closer into line with the EC's internal market, the two hig-gest opposition parties appear keen to make the EC a major political issue political issue.

But for her part, Mrs Brund-tland can he expected to move cautiously. Feelings in the Labour party remain sensitive over the EC. Many of its leading members still have bitter memories of the trauma of the 1972 national referendum on Norwegian memhership there was virtually a civil war atmosphere, particularly on the left. The 53 per cent No vote to EC membership then came as a deep shock to the political Establishment.

For the moment, the Prime Minister - whatever her personal instincts - seems unlikely to come out in favour of Norway joining the EC. Understandably, she wants to see whether the Efta strategy can bring the other market economies of western Europe into line with the EC without the need for membership. It is more than likely that this course of action will fail, bnt she has nothing to gain from harrying.

The show-down in September will no doubt clear away some of the country's political uncertainties. Until the polls are closed, however, and the horse-trading begins, nobody can predict with confidence what is going to happen.

has played a leading part in drawing attention to the global As a result. Oslo has become an increasingly important centre for international conferences. Last autumn Mrs Brundtland played host to a gathering of the Organisation of African Unity to discuss the

a summit of Efta heads of government in Oslo in Fehruary to discuss possible changes in the basis of their relationship with the European Community ahead of the 1992 unification of its internal market.

Mrs Brundtland towers over Norwegian politics at the moment and until recently most believed she was unbeatable. A recent opinion poll revealed that 47 per cent of interviewees would prefer her to remain Prime Minister after

Labour party has lost ground in recent months with an upsurge of support for the unpredictable and populist Progress party led by the other charismatic figure in Norwe-gian politics, Mr Carl I Hagen. In fact, the Norwegian voters

the September general election.

Only 17 per cent opted for Mr Jan Syse, leader of the Conser-vative party. No douht, the

Labour party will attempt to project Mrs Brundtland as Nor-

way's saviour during the com-

ing campaign. But this may not prove enough to win the day. Like

Palme, Mrs Brundtland may

have more friends outside her

country than inside it. The

opinion polls suggest that the

have never since the Second

World War seemed to be so vol-

atile. It has been estimated by Dr Henry Valen at Norway's

NOTSK HYGTO. MOTE than just an oll company.





Top: Fertilizers for Britain, made in Britain. Bottom right: Fish farming in Scotland, Bottom center: Magnesium, the vertatile metal of the future. Top center: The Oseberg in the North Sea. **Over:** Helicopter platform in alumin a oo the top of the fa mous Needles lighthouse, like of





Norsk Hydro a.s., just plain Hydro to most of those who know us well, is Norway's biggest industrial group and heavily internationally oriented. We are engaged in a wide range of energy processing activities in most European countries, and we export our many products and our advanced technologies to over 60 markets throughout the world. Our turnover in 1988 was in excess of £5.5 billion, 85% of which was derived from sales outside our home country.

Oil and gas Most Britons associate us with oil and gas due to our heavy involvement in the North Sea fields, where we are in fact one of the pioneers. We are today engaged in over two thirds of the concessions in the Norwegian sector-partners, and operate the giant Oseberg field among others. We are also in several fields in the British sector.

Fertilizers

We started industrial operations as early as 1905 when we started producing nitrogen fertilizer synthetically thus laying the foundation for the world fertilizer industry in which we are today the No. 1 producer. We have production facilities in most European countries, including the UK, where our fertilizer products are marketed under our well-known viking ship name by Hydro Fertilizers Ltd.

Light Metals

Aluminium. We produce aluminium in four large plants in Norway and operate downstream facilities for extruding the metal in most European countries including the UK. In both production and processing we are among the absolute leaders on the European market.

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NORWAY 2

Robert Taylor surveys the turbulent political scene in the run up to a general election

Progress of a party with dynamic appeal

SEPTEMBER'S general election promises to be one of the most important and exciting in post-war Norway, marking the start of a more unsta-hle period in the political life of the country. The main reason for the current volatility stems from the astonishing emergence of a new party with an apparently dynamic appeal.

At the 1985 general election, the populist and anti-establishment Progress Party polled only 3.1 per cent of the vote and won two seats in Parliament. Two years later in the local authority elections it performed dramatically better winning 12.3 per cent of the vote in the country areas and 10.3 per cent in the towns.

In the spring and annuer of last year, Progress continued to enjoy an almost irresistible advance in its popular for-tunes. Some polls actually recorded at that time greater support for the party than for the main Conservative opposition. But then, in the autumn, the popular backing for Prog-ress began to slide almost as fast as it had gone up, so that by February this year it was less than 10 per cent.

Yet over the past two months, Progress has enjoyed another opinion poll upsurge. In April, its standing was between 15 and 18 per cent. If such a result were repeated in September, Progress would become an important third force and signal a decisive break with the post-war politi-

general cal settlement. Of course, a great deal could still happen before the election but, perhaps for the first time, Norwegian commentators are heginning to take Progress seriously. There was certainly an air of self-confidence about its party conference at Chris-tiansand last month. Recent media attention

angers Progress leader Carl I Hagen, who complains it is biased against the party, but as a brilliant and combative per-former on television he has shown an agile skill in manipulating the media to his own advantage. It was after the live television broadcast of his key-note speech to the conference that support for Progress

began to move up again. Until recently, the party seemed little more than the personal vehicle of the 45-yearold Mr Hagen, who has played an active senior role in Progress since it was founded in 1973 and became its undisputed leader in 1978.

will towards Progress from the traditional non-Socialist par-Mr Hagen studied at the ties in Parliament. Relations Newcastle College of Education with the Conservatives have recently grown better than in the early 1960s - and he was a leading aspirant in the they were and the two parties political antics of the National Union of Studente when he co-operate now in running var-ious councils across Norway, knew Labour's present educamost notably in Oslo. Yet there tion spokesman. Mr Jack Straw. Before his political remains a considerable gap hetween Progress and the other opposition parties, which career he was the managing director of the Norwegian sub-sidiary of Tate and Lyle, the do not trust Mr Hagen and fear UK sugar refining company. Although he has only one his populist brand of politics.

The politicians and the bureancrate are Norway's colleague with him in Parlia-

decisive break with

the consensus

His apparent ideological con-

sistency and his determination not to abandon principles for

short-term tactical advantage

undoubtedly helped to boost his party's poll ratings. It also left a residue of ill-

main problem," declared Mr ment. Mr Hagen has played a Hagen to the loud applause of his party faithful at their pivotal role over the past four years. It was Progress which ensured Mrs Brundtland's minority Labour government took office in May 1986, and in annual conference and this underlines the almost anti-political nature of his appeal.

the summer of 1987 Mr Hagen - true to his free market prin-Progress represents a deci-sive break with the post-war ciples - refused to back a demand for higher agricultural political and social consensus. it calls for economic liberalism with sweeping tax cuts, privati-sation, deregulation and the end of subsidies. But it also stands for social conservatiam subsidies made by the Conser-vatives as a crude device to win Centre party support in a manoeuvre to topple Labour. with tighter controls on immi-gration, and tough attitudes on law and order. Progress represents a

However, Mr Hagen is too shrewd a politician to call for the wholesale dismantling of Norway's welfare state. Indeed, his party argues that its own policies for the old and the sick - based on the insurance principle - will be more generous than the present government's. But he remains refreshingly ontspoken on the need to phase out agricultural protectionism in line with the recent deal made by the General Agreement on Tariffs and Trade, though this could cost Progress some votes in the rel-atively deprived and subsidised rural areas of the north and central region of the country. But then the special charac-

ter of Progress'e appeal is to the new forces in Norwegian politics. Dr Henry Valen and his colleague Bernt Aardal at the Institute for Social Research in Oslo have examined what has been happening in their recently published

book – Velgere, Partier Og Pol-itisk Avstand.

They lay particular stress on the emergence of the younger generation in Norway born in the 1960s, who are less convinced by the old verities from the heyday of Labourism, as well as on the growing importance of the gender factor in party allegiance.

Apparently, Progress has found its most enthusiastic support among men in their twenties, working in the pri-vate sector. The party is also stronger in the more affluent areas of the country in the west and around Oslo. This suggests that, unlike the protest vote in Sweden, which appears to have gone to the left beyond the Social Democrats to the Greens and Commnnists, in Norway the benefi-ciary of current discontents is

Progress on the right. However, Mr Hagen knows that he cannot rely on the catch-all quality of Progress for much leaver the second much longer - "we are chang-ing now from being a protest movement into a political party," he says. "Our eventual aim is to replace the Conservatives

This September he will be content enough if his party becomes the third biggest in Parliament. In those circum-stances, he is prepared to com-promises in the struggle for power like all the other political parties. His position has been enor-

mously strengthened by the

failure of the Conservatives to make much headway over the

past three years. In 1985, the main Opposition party polled 20.4 per cant of the vote. Now it is running at vote. Now 11 is running at between 22 and 25 per cent. Mr Jan Syse, the present leader, has so far not made much of an impact. He appears to lack the common touch, couning over as an intelligent but rather lim-ited member of the Oslo upper middle classes. In the charlsma stakes, he les far behind either Mrs Brundtland or Mr Hagen. Moreover, the threat to the **Conservatives from Progre** ss is real enough: they are taking two votes from Mr Syse's party for every one they have won from Labour. In recent months, the party has attempted to sharpen up its policies and establish a credible economic strategy, but its support for Mrs Brundtland's etatutory area policy in Parliament recently, when Progress voted against it, suggests the Conser-vatives are keen to preserve a bipartisan attitude to the run-

ning of the economy. The difficulties of reconciling the Conservatives and Progress reveal the lack of gen-uing unity against Labour in Norwegian politics at the

mom In the view of Dr Valen the distance between some of the non-Socialist parties them-selves is actually greater than the gap between them and Labour. The Centre party, for example, is strongly opposed to

mitment to the market econ-omy is rather lukewarm. The Christian Peoples' Party, an important force in the middle ground, has high moral atti-tudes and a deep dislike of alcohol – and it perhaps regards Progress as little better than the Devil himself.

The tiny band of Liberals. who are not in Parliament at the moment but stand a good chance of winning seats in Sep-tember, has shown a willing. ness to co-operate with the Conservatives but their gener-ous attitude regarding aid to poorer countries and sympathy for immigrants is utterly differant to the harsher views of

Progress. This diversity of positions threatens to fragment Norwe-gian politics in a dangerous way, particularly as eight new seats are being created in Par-liament this time to provide greater representation for the smaller parties.

As long as they can clear the 4 per cent voting hurdle, all of them can expect to secure seats in Parliament, making it harder for a government to emerge. Unlike the other Nordic democracies, a Norwegian government has no power to dissolve Parliament and call a general election. The country continues to have fixed fouryear terms.

It is not difficult to understand why many observers up until the last few weeks helieved that, while there might still be a non-Labour majority in Parliament after

the September general election, Mrs Brundtland stood a very good chance of staying in office. At least the Labour party still represents the largest sin-

gle political force, though recent poll results suggest it

any post-election deal with can only rely on between 33 Progress. It stands for subsi-dies for farmers and its com-mitment to the another is the Socialist Left Party there is the Socialist Left Party which has around 7 to 7.5 per cent support at the moment and this could be expected to give its backing to Labour in -Parliament as it has done since 1966. Yet there is no disguising

FINANCIAL TIMES MONDAY MAY 8 1989

ter there is no disguising the present turbulent state of Norwegian politics. The strong personality of Mrs Brundtland and the Labour party's pragmatic market socialism should count for much, as well as its reasonable record of economic achievement - but the days of Labour hegemony that really lasted from 1945 until the early 1970s appear to be well and truly over.

Our eventual aim is to replace the Conservatives'

In the end, the outcome in

September will depend on whether Mr Hagen's Progress party can really break the mould in a dramatic fashion and stamp its peculiar person-ality on the political scene. If this does happen, then Norway could be set for a period of protracted political paralysis, when what it really needs is another four years of strong government to grapple with Norway's economic troubles. In fact, this could well prove

to be Mrs Brundtland's biggest electoral card - "vote for me and Labour - or the chaos of . the unknown." It is a familiar enough tactic in a multi-party democracy, hut whether this will prove enough to carry the day is another matter. Norway is in too peculiar a mood at present for anybody to be sure what is going to happen four months from now.

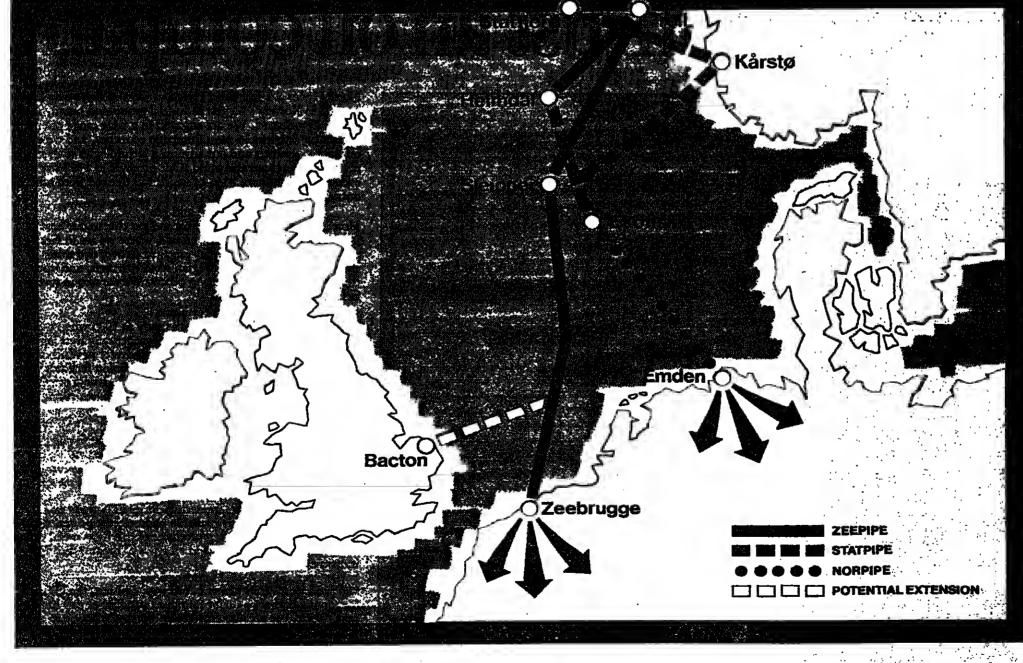
DEFENCE Support for Nato at an all-time high

THE DEFENCE of Norway is strength in the north remains of crucial strategic importance considerable in the Kola peninfor the rest of western Burope. In 1949 the country was one of the founding members of the North Atlantic Treaty Organiation, and today support for Nato among Norwegians is at an all-time high. There is little sign of any

considerable in the Kola penin-sula and in the Lebingrad region; though, as the Norwegian Government's recently published defence policy guidelines for the next four years' indicates, there have been Soviet exercises in northern waters since 1985.

At present, Nato ground forces exercise twice a year in

more than just a pipe dream



A pipeline system that guarantees gas supplies to Western Europe into the 22nd Century.

Already under way, 'Project Zeepipe', is the pipeline system that will guarantee Western Europe gas supplies for the next 120 years. More specifically, it will transport the rich gas resources of the North Sea's Norwegian Shelf from the fields of Sieipner and Troll, through some 1300 kilometres of underwater pipeline to a new reception terminal at Zeebrugge ... to be processed, monitored and

transported on to the national distribution grids of Beigium, the Netherlands, France, West Germany, Austria, Italy and Spain.

A three-phase, ten-year programme scheduled to start transporting the first supplies of gas in 1993, Zeepipe will also cater on completion to the long term gas consumption of Great Britain and Scandinavia, with link lines tying into the existing pipelines of the Norpipe and Statpipe systems.

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Not bad for a company that is barely 17 years old.

STATOIL

- helping to bring latent power to life. The following hold a financial interest in the Zeepipe System: Statoil, Norsk Hydro, Norske Shell, Esso Exploration, Elf Aquitaine, Saga Petroleum, Conoco Norway and Total Marine.

most Norwegians abont the Norway, and there remains

sense of Nordic neutrality.

"Nato has provided us with a real sense of security over the years," argues Mr Johan Jorgen Holst, the present defence minister. It has also given us, as a small nation, a stronger position in the world than we would have had otherwise, and an influence we never had before. We are now used to

before. We are now used to being a western power." During the emotional typoar in Sweden emotional typoar about the alleged barbaric Nor-wegien slaughter of baby seals, popular feelings in Norway's neutral neighbour erupted into anti-Norwegian outboarsts — in particular, that the country, was just an American satellite, a banana monarchy. Such

a banana monarchy. Such attacks reflect more on Swe-den's national psychois than on Norway's clear-sighted view of its own defence interests. "We have our back to

Europe, looking out to the Atlantic, asserts Mr Holst. There is a wide consensus in

Norwegian politics that the country's defence is inter-locked with that of the US and western Europe. Indeed, some observers believe that if Nato were to dissolve one day, Nor-way would lose no time in making a bilateral defence As Mr Holst argues: "The United States is the major underwriter of Norwegian security. For Norway there is no question of a Baropean alternative to the transatlantic

bonds." It is not hard to understand why Norway adopts such an attitude. As Steve Miller, of the American military distances without the second seco American military interven-tion, the Soviet Union "would succeed in securing effective control of northern Norway" and open the way for further advances to the south.

advances to the south. But Norway has never had American or Nato military bases on its national territory, and it continues to insist that there should be no peacetime facilities available for nuclear missile-carrying submarines, ehips or planes in Norway either. This strategy has been followed since the start of the Oold War, and it is hard to envisage circumstances where envisage circumstances where it might change radically. However, the potential threat from the Soviet Union to Norway and the north Atlantic ses-lanes remains obvious enough. Even under the rela-tively benign President Mik. hall Gorbachov, Soviet military

surprisingly little American haval activity either, with manoeuvres of no more than a week or two a year by US carriers. The actual monitoring of Soviet submarines in local waters is carried out by Norwegian intelligence for the Ameri-cans. The recent Soviet subma-rine accident off Spitzbergen caused some confusion in Oslo when the Norwegian Ministry of Defence failed to notify Mrs Brundtland of it at once, and the news leaked out first in Washington. Continued opposite

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NORWAY 3

taxes

The crisis that threatened to undermine the economy three years ago has been averted

Attention can now turn to more distant horizons

policymakers have been able to face springtime with greater cheer and optimism this year than has been possible since

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. No one would dare to say the mood is complacent, and it will be some time before officials risk relaxing the tough linan-cial policies they have been fol-lowing since the summer of 1986, but the crisis that threat-ened to undermine the econ-omy three years ago has been. averted.

Indeed, since the 1969 budget forecasts were published last autumn, the economy has improved at an unexpected rate. Bjoern Skogstad-Aamo, state secretary at the Ministry of Finance, commented: "Origi-nally we expected a current account deficit of NKr11hn this year. Now we believe we will' achieve a surplus."

Compare this with three years ago when the country's current account deficit totalled . NKr41bn, as much as 8 per cent of the country's gress domestic product, and when Norway had the dubious hon-our of boasting the highest

NORWAY'S economic debt figure of any member policymakers have been able to country in the Organisation for face springtime with greater Economic Cooperation and Development:

Development: The right turnahout - par-ticularly that of the past year - stems mainly from the year ing price of oil on the world market which now stands at around NK1130 a barrel, far more than the NK190 a barrel that the Norwegian govern-ment predicted when it was prenaring Oth years they for preparing this year's financial

preparing this year's financial prognosis The total errort value of Norway's energy products is now expected to increase from 1988's figure of NKr51 4bn to NKr60 fbn this year, while the 1989 .crude off production capacity is likely to average 1.6 million barrels widy, a tise of almost a third over last year's almost a third over last year's

figure. But it is not just the recov-ery in Norway's off revenues that helps to explain the recent turnaround in the country's economy. The export perfor-mance in the traditional, mainland industries has also improved immeasurably over the past two years after the relative stagnation of the mid-

1980s. From 1986 to 1988 exports rose by 20.2 per cent in volume terms - and 35 per by volume.

International Shipping Regiscent in value terms - while ter. The size of the fleet now imports dropped 12.9 per cent totals over 35.3m deadweight topnes The huge jump in the global Howsver, the industrial restructuring of the Norwegian

economy, which most observ-The rapid turnabout ers believe is necessary if growth is to be assured in the late 1990s as oil revenues and stems mainly from the production begin to decline, rising price of oil

has not yet got under way. Structural cbange aside. Norway's economic vital statisprice of aluminium and nickel has benefited Norway in partictics should provide genuine comfort for Mrs Brundtland's ular, for the country remains government in a general elec-tion year. The annual rate of an important supplier of both those precious metals on the world market. There has also been an upturn in Norway's price rises is expected to be around 4 per cent in 1989 compared with 8.7 per cent in 1986. exports of fish, chemicals, car Wages are expected to rise by only 4 per cent this year, comcomponents and paper and pulp over the past year. The country's financial posipared with just under 6 per tion has also been helped con-siderably over the past 12 months by the rise in net earncent in 1988 - an achievement that is likely to be the envy of many of Norway's competitors. The Ministry of Finance ings from merchant shipping. These rose to just under believes the country can improve its international com-NKr5bn in 1988 from NKr4.1bn petitivenees this year, with productivity expected to rise by 2.5 per cent, and unit labour costs rising by a mere 1.75 per in the previous year mainly because of growth in the number of ships flying the Norwecent in the manufacturing sec-

gian flag following the estab-lishment of the country's

the 'Work for Your Benefit' scheme, administered by the local authorities. This combines socially useful work for

the participants with time off for them to search for regular work or improve their job qual-ifications. Each person will spend six months on the programme with the possibility of a further four month exten-

The crisis employment package may go some way to reas-sure traditional Labour party voters that the government intends to do all it can to aoften the harshness of the labour market but it has cast a shadow over Mrs Brundtland's strategy for Norway's economic revival. However in March the dole quenes fell back to 3.6 per cent of tha workforce, suggesting that the worst might be over. This spring the Ministry of

achieved without beit-tightening

Finance published its medium and long-term forecasts. The document reads perhaps at times more like a general election manifesto than an objective assessment of the economic ontlook and it has drawn some criticism for appearing to suggest that Nor-way need not adopt any radical changes to ensure its continuing prosperity. There is, for example, a reluctance to confront the issue of the absurdly high subsidies enjoyed by Norway'e over-protected farmers, which in 1987 totalled NKr10.1bn. But the overall economic

programme reflects strong endorsement of demand management policies and demon-strates just how far the Labour government has come in its support for a market approach as the solution for Norway's economic problems. There is a call for a higher return on industrial investments, encouragement for companies to accumulate greater equity cap-

months. The main thrust is on ital, more tax reform "so that it will be more profitable to save and less profitable to borlabour market training and job creation schemes as well as a cut of NKr106m in employers' row", greater saving in enterprises and households and The most innovative idea in lower interest rates. the new programme has been the creation of what is called

However, there are no plans to roll back the country's public sector, which accounts for 49 per cent of Norway's GDP. On the contrary, the strategy hopes to see a real average annual growth rate of 1.5 per cent in public spending, in par-allel with a similar develop-ment in the private sector. Priority will be given to public spending in transport, research and development and higher education, bnt new welfare benefits are expected to include maternity/paternity leave amounting to 42 weeks on full pay, with the alterna-tive of a year with 80 per cent

The key forecasts up to 1993 suggest:

• Annual GDP growth of 1.75 per cent, with slightly slower growth after 1993 as petroleum revenues decline. • 2 per cent annual growth in

public and private consumption to 1993 and higher after

that year. Public and private sector investment rising by 3 per cent a year until 1993 and then by

2.5 per cent until 2000. mainland Norway's exports rising by 3.75 per cent a year until 1993 and then by 4 per cent a year to 2009. Imports are expected to grow by 3.5 per cent a year np to 1993 and then

by 3 per cent a year to the end of the century. These long term statistical predictions should obviously be treated with caution, given the uncertainty of world economic conditions. Moreover, the future of Norway's rela-tions with the European Community, as well as its role as a major oil and gas producer, could change significantly over the next decade.

The general mood has nevertheless recovered to the point where Norwegians can lift their heads from economic crises immediately ahead of them and turn attention to more distant economic horizons. The "good old days" that prevailed before 1986 may not return for many years, but at least the crisis talk has gone, and some years of relative comfort lie in prospect.

Robert Taylor

FINANCIAL MARKETS

Bourse moves from strength to strength

GOVERNMENT is points), having taken nearly THE two years to shatter its previconsidering major changes in ous pre-crash record. At its legislation, in order to liberal-ise Norway's financial marlowest this year, on January 2, the index sank to 342.79. kets, after abolishing the 1 per cent thrower tax that bad been implemented at the start of 1988.

Foreign investors may be allowed to own np to 33% per cent in Norwegian companies, instead of the current 20 per cent. Most analysts agree that the

abolition of the turnover tax removed an important psycho-logical barrier, which had lim-ited trading in Norwegian shares. This year the stock market

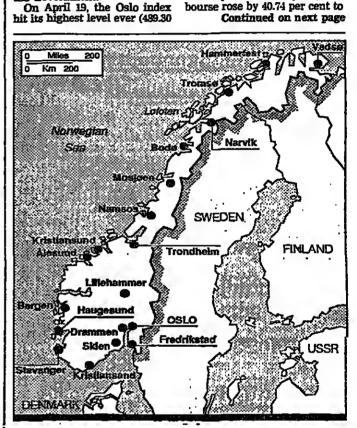
has gone from strength to strength, for a number of reasons. These include: high oil prices, favourable developments in the economy, record results by a handful of blue-chip stocks, and the more "market friendly" attitude of the Government.

On April 19, the Oslo index hit its highest level ever (489.30



by a NKr2.5on share issue launched by Norsk Hydro, Nor-way's largest publicly quoted company. Seveo new companies were listed on the bourse. though 18 were stricken. Some 302,463,676 shares were traded, compared with 214,105,095 the previous year.

Between December 30, 1988, and April 21 this year, the bourse rose by 40.74 per cent to Continued on next page



Strong support for Nato

Continued from previous page provides the US with logistical. and operational support, agreestockpile ammunition, fuel and spare parts, as well as provide shelters for US fighter squad-rons from carriers in time of war. In 1981, Norway reached agreement with Washington to provide equipment for a marine amphibious brigade in central Norway, including artillery trucks and towingrelation Strategic pessimists fear that a Soviet military attack across the Soviet frontier in the far

north would sweep all before it, but others believe this mder-estimates the difficulties of coming over a rugged and desolate terrain, subject to extreme weather variations and dark 24 hours a day in the. winter months. It is pointed out that it is as far as 1,000 km from the Soviet border to the important Norwegian bases that lie just north of the Arrtic 2.15 3.2

Soviet forces are not key Continued from previous page Soviet forces are not acres in the The Norwegian Government high levels of readiness in the rovides the US with logistical north, so that in an emergency ind operational support, agree, their mobilisation could not ng to allow American forces to happen quickly, allowing time tockpile ammunition, fuel and for a Nato counter-preparation As Steve Miller points, when the Nazis invaded the very north of the Soviet Union, in June 1941, they advanced only 24km and incurred 10,000 casualties trying to get to Marmansl

This winter, Mr. Holst amounced a real increase of 2 per cent in the Norwegian defence budget, in to 1993, a total of NKr5 Shit But this involves a restructuring of the forces, with accoronies and productivity improvements. Before last year, Norway spent around 3.2 per cent of its GDP

Mr. Holst, who wants to see serious talks with the Soviet Union on further arms reduc-tions. In his opinion, what the west lacks is "a view of the role of nuclear weapons" in the

on defence, the fifth highest figure in Nato. In 1987 only the **US among Nato members spent** more per capita than Norway. The Norwegian Government dislikes the idea of any immediate decision to modernise, short range inclear weapons in

"iransition stage from the end of the Cold War". "We must walk with caution and open eyes," he declares. But Norway'a robust and knowledgeable defence minis-ter values confinued American military involvement in Europe. "Visible, reliable US military engagement on this continent is the sine qua non of everything," he admits. In today, much more

relaxed international atmosphere, Norway is keen to see further progress towards disarmament, but it will not jeopardise its own security in the process. Its small land frontier with the Soviet Union, and continuing differences of opinion over lines of sovereignty in the Barents Sea, ensures that the country cannot afford to neglect its own sensitive strategic position.

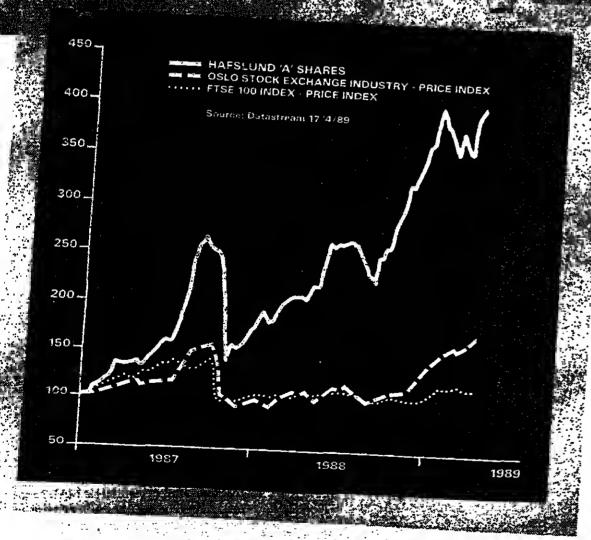
Robert Taylor

None of this has been None of this has been achieved without a degree of belt-tightening. Total demand from the mainland economy fell by 5.3 per cent from 1986 to 1988, while the growth in main-land Norway's gross domestic product amounted to only 0.6

per cent during the same period. This year the Ministry of Finance expects a real increase of 3.3 per cent in the country's GDP. The financial austerities in force since the summer of 1988 have inevitably canght up with the labour market, where regis-

tered-unemployment began to climb rapidly over the winter months. Last year an average of 49,300 people were registered jobless, 2.3 per cent of the total workforce. This rose to 85,800 people, just under 4 per cent, by the end of February. This may not seem a particularly large number by comparison with other western European economies but for many Norwegians it has revived memo-

ries of the dismal thirties. In March Mrs Brundtland announced a NKr4bn package of measures designed to create jobs for an estimated 30,000 to 35,000 people over the coming $\mathbf{III}_{\pm\pm}$



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Key figures from Kværner

	•	1988	1987
Invoiced turnover	NOKm	8 475	5 728
Profit before ex. items	NOKm	381	333
Cash flow	NOKm	621	509
Order intake	NOKm	8 459	8 183
Return on total capital	%	10.4	9.2
Earnings per share	NOK	22.65	26.71
Number of employees		9744	8 433

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Under-capitalisation is the most serious of industry's problems, explains Karen Fossi

Package aims to raise venture capital

ation. Norsk Hydro, Norway's largest publicly-quoted company, was in 84th position. Hafslund Nycomed, which has main interests in pharmaceuticals. light metals and energy, was 310th

ONLY TWO Norwegian companies were listed in last November's FT Top 500, a sur-

vey of Europe's biggest compa-nies rated by market capitalis-

IV

In contrast, Sweden, Finland and Dermark were represented by 31, 18 and 4 entries respectively.

The ebsence of Norwegian names illustrates the most seri-ous problem that faces the country's companies, end hence its industry: under-capi-talisation.

Little export orientation and a lack of competitiveness are other challenges that face e country which is seeking to wean industry away from gov-ernment subsidies and to minimise its reliance on oil and

gas revenue. In addition, equity-to-debt ratios have fallen to historic low levels, forcing coocentra-tion and efforts to be shifted towards raising fresh capital to continue existing domestic goals and strategies, at a time

when competitors are extend-Ing roots outside domestic hounderies into European Community countries. However, two-thirds of Nor-

wegian net long-term direct investments in industrialised countries - NKr11.9bn in the period 1986-1988 - flowed to stop short of qualifying as col-lateral needed to raise fresh the EC, according to the cen-tral bank, which defines direct capital investment as the acquisition NKr600m in share capital, of which 49 per cent, or e maxi-mum of NKr294m, will be supof a certain portion of a foreign

enterprise. In view of the monnting plied by the state. The other investment problem of under-capitalisevehicle, Synergos, was launched last month by Volvo tion, two separate efforts are under way in Norway. One was announced by the minority of Sweden and four Norwegian Labour Government in its 1989 Budget. A package of measures partners. It aims to take friendly stakes in Norwegian could, in the short term, help make available venture capital companies, which it may then assist in restructuring. Synergos was established so desperately needed in the

with e capital of NKrlbn. Volvo and Norsk Hydro will commercial sector. A new venture capital comeach own a 30 per cent stake, while Christiania Bank, one of Norway's leading banks, end Uni Forsikring, the second-bigpany, Norsk Venture A/S, is to be established, jointly owned by the state, which will have e 49 per cent stake, and private

gest Norwegian insurance com-pany, will each take 15 per cent. Norske Skog, the leading Norwegian pulp end paper company, will take the remaininterests which can subscribe to the remaining 51 per cent. It will supply newly-established companies with the venture capital they need, hut cannot acquire because of limited equity and investments which

ing 10 per cent. It will identify Norwegian companies with growth poten-Norsk Venture will have

Little export orientation and a lack of competitiveness are other challenges that face a country which is seeking to wean industry

away from government subsidies and to

minimise reliance on oil and gas revenue

tial, in which investments of cent of Norway's foreign sales up to 25 per cent will be made of traditional commodities, over a two- to four-year period. while two-thirds of shipping Aims include the restructuring earnings come from shipments of companies identified, to enable the shares to be resold to and from the EC. By contrast, European Free Trade Association (Efta) countries et a profit, and the strengthening of their competitiveness. The Norwegian Export Counof which Norwey is one account for about 22 per cent cil, which markets Norwegian of exports.

The US; on the other hand, is be minimised through proper Norway's fourth largest trad- preparation, analysis and exeindustry abroad, says the cen-tral task of export strategy is to increase market share in the EC, though others argue that ing partner. Commodity exports to the US in 1988 expansion of market share in the US and Japan should not increased to NKr7.1bn, an 8 per cent rise over 1987. Sales e overlooked. The EC accounts for 55 per included NKri.7bn in metals, NKr1.5bn in machinery and NKr1.1bn in fish and fish prod-

in 1988, metal exports rose by 70 per cent over the previ-ous year, while machinery exports rose by 20 per cent, though exports of fish and fish products fell by one-fifth.

Arthur Young International, one of the world's leading accounting firms, recently completed a survey of Norwsgian husinesses in the US, which argues that though there are numerous opportuni ties for Norwegian companies in the American market, their approach lacks strategic plan-

"Mistakes resulting from unfamiliarity with [American] ways of doing business could

share turnover tax.

preparation, analysis and exe-cution," argues Arthur Young. The survey, which question-ned 159 Norwegian companies, noted that 76 per cent of those polled entered the US with newly formed operations, 12 per cent acquired a US com-pany, and 12 per cent entered a joint venture co-operation with an established American firm.

Although Arthur Young believes that Norway markets believes that Norway markets itself well, critics complain of a fragmented approach that lacks a clear strategy. The few companies that can afford to do so have expanded. out of Norway, where produc-tion, materials and staffing

costs have become prohibitively high. Of Norwsy's 50 largest companies, 35 have established a foothold in the EC. Expansion problems can also

be attributed partly to size. Of a total of 13,000 Norwegian companies, just 500 employ

ment's ability to resist the temptation to re-introduce the though it forecasts that, as the Norwegian economy continues to improve and international Mr John Whitehead, an ana-lyst with London-based Robert investors show increasing interest, the discount to other European markets, in particu-lar the Swedish, will not be maintained. Though most analysts seem

to accept thet a correction would be natural after a period of such rapid gains, there is no consensus on when it will come. Domestic interest rates have been cut significantly since last year - from 13.4 per cent at the beginning of 1988 to 11 per cent by February this year - but further reductions

could be on the horizon. The Government is expected this month to respond, in its revised budget for 1989, to a package of measures proposed by the Kleppe Committee, which has suggested further liberalisation of Norway's financial markets.

Among the measures the Government is meant to address is a proposal to re-open internationally accepted ' principles, An early priority the bond market to foreigners, after five years of closure, Last year turnover of bonds fell to NKr99.1hn from NKr129.8bn, accounting recommendations, while certificates dropped to NKr42.2hn from NKr47.9bn. practices. However, the Ministry of Finance will have The number of bonds quoted on the exchange in 1988 increased to 950, representing a nominal value of NKr202bn, or about 85 per cent of the total K.F.

more than 200 people, while the majority employ fewer than 20. Last January, Elkem. the

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light metals group, increased its stake in Alcoa Nederland to 50 per cent from 25 per cent. "to gain a stronger foothold in the EC's aluminium industry". Elkem supplies about 90 to 90

per cent of annual aluminium production to the EC market. In March last year, Aker, the large Norwegian industrial group, through its participation in Scancem, a Swedishnon m scancem, a Swedish-Norwegien joint venture, bought UK-hased Castle Cement, which was owned hy Rio Tinto Zinc, making Scan-cem the fourth largest cement manufacturer In western Europe and doubling its pro-duction output.

duction output. Norway lost one of its main shipbuilders, Kvaerner, a year ago when it bought British Shipbuilders Govan yard. Kvaerner has given up shipbuilding in Norway, because of high costs. More recently, Fred Olsen, the elusive shipping magnate, bought a major stake in Ireland's Harland and Wolff

shipyard. Dyno Industrier, the Norwe gian diversified chemicals Continued opposite

outstanding hy the year's end. Total volume increased by 9.4 per cent, from NKr184.8bn.

Public subscription to bond loans reached NKr18.7bn, about the same level as that in 1987. About NKr35bn worth of bonds were issned in 1988, though none was convertible or with purchase options, compared with NKr30bn in 1987. For the second year running. no new government honds were issued.

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March 1.

The Kleppe Committee has also recommended that the Government scrap currency regulations ahead of 1992.

A separate committee, led hy Mr Jarle Bergo, has suggested increased tax relief through equity investments, and a higher ceiling on insurance and pension fund investments in shares.

Extended tax rellef for savings put into equity invest-ments, from NKr3,000 to NKr5,000 for individual inves tors and from NKr6,000 to NKr10.000 for married couples, is also under consideration.

In 1988, foreign investors were net buyers of Norwegian shares for NKr2.2bn, compared with NKr1.9bn in 1987. By the end of March the bourse had a market capitalisation of NKr138.2bn

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Strong stock exchange performance

Continued from previous page 480.67. A hreakdown of the four indices shows that the strongest recovery was staged hy the bank index, which rose by 67.25 per cent, helped hy signif-icantly improved hank earn-

ings. Although, last July, foreign investors were given the right to boost their shareholdings in Norwegian hanks to 15 per cent, from 10 per cent, there was little entbusiasm, because the hanks suffered a total of NKr4.2hn in losses oo loans and guarantees - up from the 1987 level of NKr3.2bn.

According to London-hased analyst Carnegie International; to 25 per cent of total assets, With ioterest margins curfrom 12 per cent, though currently very wide, as a conserently they have just between 2 quence of significantly reduced interest rates and virtnally unchanged lending rates, and the prospects of substantially reduced losses on loans, 1989 is expected to he the year of per cent, though the hanks have remained cantioos on recovery for the Norwegian banks

Last autumn, Norway's savings banks introduced primary capital certificates, a new financial instrument, to increase their share capital, which will he listed on the bourse.

fuelled an increase in tradi-From the end of December tional Norwegian exports such

1988 to April 21, the insurance index, improved by some 48.1 per cent, though this can hardly he explsined hy improved earnings. In 1988 the insurance share index hed dropped by 17.8 per cent, which could be explained hy a record 30 per cent increase in total claims, for which fire alone reached NKr3bn. What little market interest there was in the insurance index came mostly from merger expecta-

The industry index, in the

same period, improved hy 39.27

per cent, driven hy strong world trade growth, which

tions.

ket crash.

prices continued to maintain high trading levels. From March 1, the oil index, consisting of three companies - Norsk Hydro, Saga Petro-

leum and DNO - was incorpo-rated into the industry index, adding to its rise of late because of soaring oil prices. Norsk Hydro, with main interests in oil, metals and fertiliser, accounts for about 45

A government-sppointed commission has recommended that insurance companies' SIX Norwegian organisations equity holdings limits be lifted with main interests in economics and accountancy, including the Oslo boarse, joined forces last month to and 3 per cent of their capital establish the Norwegian invested in equities. It has also Accounting Standards recommended that the banks' Foundation (NRS). equity holdings be doubled to 4

NRS's mandate will be to develop and publish generally accepted accounting standards equity investments after sufferin Norway, as well as to ing huge securities losses provide interpretation on caused by the world stock-marmatters of principle in connection with published standards.

One of the driving forces behind NRS is the Oslo bourse which, during an investigation into the accounting practices of listed companies, found that

as pulp and paper, while metal The shipping index has also helped Oslo's boom with a

per cent of the hourse's total turnover. It is listed on 11 foreign stock exchanges, and Oslo handled about one-third of its total share turnover in 1988.

off-balance sheet reporting

in an "unsatisfactory manner"

and the use of "extraordinary

items", among nther practices, has been explnited by

NRS will have e two-tier

structure. A six-member

supervisory board will be

administrative, and ensure

that the foundation meets its

be a 10-member accounting

anthority over all technical

principles, which fall under the so-called "company law",

matters. Norwegian accounting

standards board, with

objectives. The second tier will

Norwegian companies,

narticularly insurance

companies and banks.

26.73 per cent rise hetween December 30 and April 21. Shipping has been in low demand amid weaker spot

hy 102.7 per cent. Listed ship ping companies accounted for 18 per cent of the total bourse value, compared with 12 per cent in 1987. Bergesen hecame the first

have been maintained. In 1988

the shipping share index rose

became quoted in London. The ontlook for the bourse for the remainder of the year seems hright, though this depends on oil prices resisting

Accounts reporting strengthened

by the state-anthorised Anditors Association, but in . recent years the bourse has ought to strengthen the quality of accounts reporting.

Other interested organisations have sought to implement their individual standards for accounting practices, which has led to fragmented standards and practices, according to Mr Nigel Wilson, director of analysis and control, at the bourse. **Kredittilsynet**, the

practices, and will in future put more emphasis on control. Another function of NRS. . c. will be to harmonise Norway's accounting principles with

Norwegian Banking, Securities, Insurance and

Fleming Securities, says the Norwegian Government's determination to turn around Norwegian shipping company to be quoted internationally the economy, combined with the current high level of world crude oil prices, makes the last June, when its shares

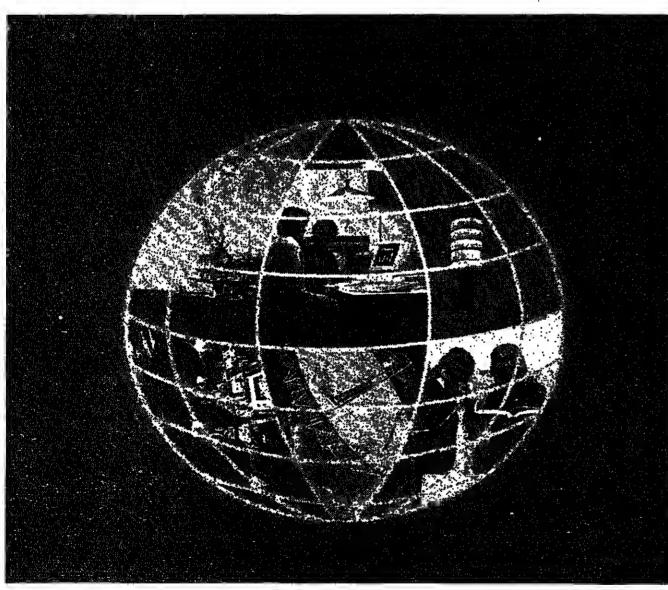
Oslo market outlook "uncan-

nily good". Carnegie says that Oslo is among the lowest valued markets in the world, "on a proa sharp fall and the Govern-

freight rates, however, though second-hand prices for ships spective p/e ratio of 8.4",

have hitherto been supervised

Exchange Commission, has also strengthened requirements for accounting



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NORWEGIAN AMERICA LINE STEERS INTO THE FUTURE

will be to update a set of 17

which are no longer in step

with current reporting

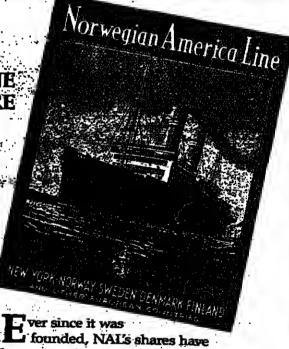
the last word on NRS

proposals.

Norwegian America Line (NAL) was established in 1910. NAL's original concept was based on passenger-liner and cargo services.

As international shipping has changed, so has NAL undergone a major evolution over the ensuing years. The company's traditional activity was discontinued in the early '80s. Today the company is mainly involved in the world-wide transport of vehicles and other roll-on/roll-off cargo.

This business activity is achieved through a 70% equity in NOSAC (Norwegian Specialized Autocarriers). NAL staff is responeible for the management of NOSAC, and through its international organization NOSAC has increased its profitability and market share in a highly competitive market. NOSAC's business is based on long-term contracts with major automobile manufacturers.



been quoted on the Oslo stock exchange.

n february this year NAL offered convertible bonds to Norwegian and international investors. Subscription exceeded the total bond issue of NOK 150,000,000 (GBP 12.7 million) by a substantial margin, reflecting investors' confidence in NAL.

NAL is diversifying into other areas of international shipping. Through its international network the NAL organization has the ability and capacity to change and adapt to new business opportunities.

Racked by its investors, NAL intends to expand, based on its philosophy of careful planning, long experience and the stability of long-term contracts.

Sail with NAL into the future!



Norwegian America Line - NAL (Den norske Amerikalinje A/S) Hoffsveien 65 B, 0377 OSLO 3, NORWAY. : 472-52 00 50 - Faximile: 47-2-50 60 69 - Telec: 71 227

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مراجعة والمعتقي المتعجب والمتحد

NORWAY 5

Norway has recaptured its position as a leading maritime nation

Sailing away from the doldrums

NORWAY's shipping industry will require up to NKr90bn between now and the and of are operated under Nor 1995, to modernise the fleet and increase its tonnage. Based on this estimate by

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the Norwegian Shipowners Association (NSA), owners have to raise between NKr15bn and NKr20hn in new equity

capital. Norway currently owns about 6 per cent of the world fleet, an increase of two per-centage points in the last two years. There is no doubt that Norway has bounced back to recapture its position as a leading maritime nation, after its shipping suffered a debilitating decline in the late 1970s. Although this success has

Although this success has been fuelled by a general increase in global shipping, the fact that the Norwegian ship-ping community operated from a high-cost base obliged it to use its imagination to take

advantage of the rise. According to Mr David Viko-eren, director general of NSA, the establishment in 1987 of the Norwegian International Shipping Registry (NIS) not only provided a Norwegian alternative to low-cost ship registries ("flags of convenience"), by offering broadly similar savings on crew costs; it also restored the health of Norway's ailing shipping industry.

NIS prevented Norwegian tonnage from being wiped out, and is credited with being the powerful stimulus for recent growth. Between January 1, 1985, and July 1, 1987 (when NIS was isunched), the Norwe-gian-flag fleet shrank from nearly 27m deadweight tonnes (dwt) to 9m dwt. This coincided with a near-doubling of the for-eign-registered Norwegianowned fleet, which was seeking to escape from high domestic operational costs.

Norway's recovery from the shipping doldrums can be measured also by the growth in the total fleet - NIS-registered ships, Norwegian-flag ships and Norwegian-owned foreignflag ships - from 967 ships, in January 1987, to 1,197 last month.

Also in April, NIS registered ships totalled 495 of, which 56 are foreign-owned, far surpass-ing the expectations of its founders and critics alike. By contrast, Norwegian-flag ships totalled 306 while Norwegianowned foreign-flag ships

- 57

In addition, some 400, shipe are operated under Norwegian management confracts or time charters, bringing the bot-tom line boimage, in which Norwegian interests are involved, total to about 55m dwt. 1-276-

Approximately 70 ships are waiting in the wings for NIS registration while just 57 have been deleted from the records during the last two years -the majority of which have been sold abroad while the remainder have reverted to the national Norwegian register. The gross economic output of the Norwegian registered fleet increased to approximately NKr38bn in 1988 from

NKr28.5bn in 1987. Norway's maritime industry employs 72,000 and purchases on the order of between \$600m and \$700m worth of goods and services annually Also indicative of the positive spin-off effect of NIS is the surge in for goods from mainland Nor-

wegian industries which expanded by a full 100 per cent to NKr2.4bn last year from NK1.2bn in 1987. Together, annual exports reached about \$150.

reachen about \$101. In 1988, Norwegian shipping companies purchased about \$2.3bn of new and second-hand tonnage. This expansion has continued into 1989 and by Rabries Normer

February Norwegian shipping companies had placed more than 55 new building orders for ships in ten different countries. Privately, concern has been expressed, that Norway's banks, which for three years running have suffered considerable losses on loans and guarantees, are ill-quipped to serve the growing needs of Norway's rapidly-expanding

fleet There are also growing fears that in the medium-term Nor-way could lose some of its shipbrokers, shipowners and ship-management expertise to Lon-don which is fast becoming the vortex of the world's shipping

For some it may simply a case of widening their interna-tional base despite Oslo's struggle to maintain a position.

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International (TBI), headquartered in London According to Osco the move

was designed to enable it to derive maximum benefit from the greatly enhanced international character in London in the wake of the recovery of global shipping while benefit-

ing strongly from its Norwe-gian identity. Though the Norwegian fleet has increased, it is mainly through the acquisition of sec-ond-hand tonnage. Mr Vikoeren contends that this has not allowed modernisation of the fleet, a requirement which will soon need to be met. This trend is not purely marked by the Norwegian

The registry not only

provided a Norwegian alternative to flags of convenience', by

offering broadly similar savings on

crew costs, it also restored the health of

Norway's alling

shipping industry fleet, but it underscores the state of the world fleet, the average age of which is also steadily increasing. A Norwegian Government report esti-mates that around 21 per cent of the world's fleet in 1980 was older than 15 years, whereas in 1988 a full 30 per cent was

older than 15 years. This is further emphasised by the age structure of tankers, **OBOs and bulkers which is** given by Oslo-based shipbroker RS Platon in its annual report for 1989.

According to Platou, 34 per cent of the world tanker fleet was built before 1975; 52 per cent of the OBO fleet was built in 1979 and 29 per cent of the bulker fleet was built in the same period. The percentage of the fleet

built before 1970, according to Platon, is respectively eight per cent, six per cent and eight per cent.

According to Mr Vikoeren. stringgie to maintain a position amongst the world's shipping centres. The Osco group of Norway, for example, recently placed its products carriers toumage in the hands of the newly formed Tanker Brokers modernising Norway's fleet will be possible only if the tax-

Mr Vikoeren also believes that another challenge in future will be to attract foreign shipping companies and investors to Norway. This will require liberalisation of Nor-way's tax regime, however, to allow new risk capital to be

raised. "Harmonising Norway's currency regulations with the Common Market's and other shipping countries' will also have to be undertaken," according to Mr Vikoeren.

Norwegian authorities are examining possible tax reforms. In a recent report to the Storting (Norway's Parliament), a proposal is made for the elimination of the liability of foreign seafarers domiciled outside the Nordic countries, to pay income tax to Norway. Since the inception of the NIS, there has been a debate in shipping quarters as well as in the Storting standing committee on shipping over the rules relating to the taxation of foreign nationals investing in Norwegian shipping. Critics contend that the rules are excessively stringent in addi-tion to being unclear although the Government has decided that there is no need to adjust the existing taxation scheme. Though NIS has done much

to refuel Norwegian maritime growth, Norwegian shipowners have also strengthened market position by specialising in purpose-built vessels to serve specific market segments. The Norwegian chemical

fleet, for example, represents 25 per cent of the world tanker fleet; Norway's gas tankers comprise 16 per cent of the world gas tanker fleet while the Norwegian cruise ship fleet continues to remain in the forefront of that market sector.

Specialisation is a unique feature of Norway's shipping industry. Osco, for example, developed the innovative 'Superflex' concept which accommodates a large carrying capacity and revolutionary tank design which can be con-verted from 'dirty' to 'clean' in a relatively short period of

time In the specialist marine insurance sector of protection and indemnity (P&I), southern Norway-based Gard P&I Club captured half the total tonnage which changed hands worldwide in February this year. Soaring into second place in the world league with respect

maniferration of the over the

to tonnage entered, Gard acquired a significant propor-tion of the 2.5 per cent of the world's tonnage which shifted to new clubs.

The Norwegian America Line (NAL), however, has expanded into new areas of industrial shipping. Once iden-tified almost synonymously with passenger liners, NAL has forged new inroads into other areas of shipping and is cur-rently ranksd amongst the world's top car carriers in a market which it considers as having reached an advance stage of maturity dominated by few large operators. By linking its car carrier

business with timber trans-ports, NAL has optimised its current company transport infrastructure to bring timber one way while carrying cars the other way. For 1989, gross freight revenue is forecast to reach NKr950m, against NKr761m in 1988, as NAL evaluates further diversification into other transport sectors. For all its recovery, the

boom in Norwegian shipping has done little to revive the Norwegian shipbuilding indus-try which has seen its work-force dwindle to a mere 3,500 by the end of 1988 from 12,000 at the end of 1978.

Annual production from Norwegian yards 10 years ago comprised 163 ships, or an aggregate tonnage of 490,000 grt of which 59 ships (181,000 grt) were exported. By the end of last year this production rate plunged to a mere 65 ves-sels totalling 123,500 grt of which 41 ships (106,500 grt) were exported.

Last year Kvaerner, the Norwegian engineering, shipping and shipbuilding groop, declared that it had given up shipbuilding in Norway because of the high cost of materials and labour. Kvaerner booght state-owned British Shipbuilders' Govan yard in Scotland, or 40 per cent of Brit-ish Shipbuilders

Ships built in the UK qualify for a subsidy of up to 20 per cent of contract price under European Community regulations

More recently, Fred Olsen bought Northern Ireland's Harland and Wolff yard underlining, yet again, the prohibitively high costs of shipbuilding in Norway.

Karen Fossi

FISHING INDUSTRY

Quotas protect cod

has been restructuring over the last 20 years since quotas were introduced to prevent over-fishing of the North Atlantic. The number of active fishermen has halved to about 30,000, but the number of Norwegians who are dependent solely on fishing for a liveli-hood has risen to its highest

level ever in that period. Fishing contributes about 2 per cent of Norway's gross national product. The export value of Norwegian fish increased to NKr11.4 hn in 1988 from about NKr10bn the previous year.

to export earnings by farmed fish which last year accounted for between NKr4bn-NKr5bn or about 90,000 tonnes. This was nearly double the tonnage of fish farmed in the previous or han farmed in the previous year. Though fish farming is rapidly expanding its exports of salmon - in 1987 Norway supplied about 80 per cent of the world's farmed salmon -and halibut, it does not offer the number of jobs which tra-different first does

ditional fishing does. There are about 659 hatch-eries and 747 fish farms which produce mainly salmon, though this is forecast to double hy the early 1990s if expansion into farming other species like cod, halibut and turbot is successful.

Some 700 processing plants spread along the Norwegian coast which convert catches into fresh, frozen, canned or dried fish, or into fish meal and oil.

The Norwegian fleet deploys some 22,000 vessels including 13,000 small open boats. Last year's catch by traditional fishing in Norway's vast northern waters yielded just under 2m tonnes, slightly less than the previous year's catch.

Norwegian arctic cod, which is the mainstay species of the fishermen, requires careful management. Because of this, cod quotas are strictly enforced to ensure stocks enough to fill the quotas of each successive season's catch.

For 1988 Norway miscalcu-lated the availability of cod and what was originally forecast to be a bumper year turned out otherwise and forced quotas for 1989 to be pared back by more than 22 per cent. This was aggravated by an algae invasion from the

NORWAY'S fishing industry Balkan Sea which destroyed NKr25m-worth of farmed fish. This year was meant to top the yield of the last years.

The calculation that there would be an abundance of cod was right, but Norway got it wrong when it forecast that there would also be an abundance of herring and capelin, the fish on which cod feed. Consequently, the cod not only fed on themseives but those which did not were unable to achieve their normal rate of

This year, because of ideal weather conditions, Norway's fishermen managed to fill their cod quotas early and this has posed a dilemma for the Government which now must consider either to allow the fishermen to draw early from their autumn quotas, or to reject their request, forcing a short-term crisis. On the other hand, allowing them to draw early from this autumn's quota will force the same situ-

atton, though in reverse. This is particularly serious for those in the northern region of Finnmark, where the bulk of Norway's fishermen around 16,000 - are based. The area suffers from some of the highest unemployment and bankruptcy rates in the country and has only limited employment opportunities. Last year Finnmark's fisher-

man were also plagued by a large seal invasion which drove the cod which they did not manage to eat from the area. The seals destroyed the nets of the fisherman, forcing extra Government support to the area which has seen a decline in the last 12 years. One of the goals of the minority Labour Government is to realign, and thus stream-

line, the fleet and the onshore processing part of the industry which is suffering from overcapacity since quotas were introduced.

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To achieve this realignment the Government has had to concede a high level of subsidy which this year has doobled to NKr900m. Failing to subsidise at such a high level could force the industry to collapse, believes Mr Jon Lauritzen, a spokesman with the Fishing Ministry. "We do oot want to restructure the fishing industry hy forcing it into bank-ruptcy," he explained.

However, there are bright spots in Norway's fishing industry. Herring stocks are replenishing after an absence of almost 20 years and this, in turn, will increase cod stocks. Mr Lauritzen says the main challenges facing the fishing industry are to rebuild the mainstay stocks of cod, capelin and herring, maximise profits for each kilogram of fish landed and to increase market share in the US and Japan.

Though Norway's fishing industry has reached a high level of sophistication in recent years, Mr Lauritzeu admits that there is some way to go before it achieves the high level of its main competitors, Iceland, the Faeroe Islands and Denmark.

"We are mainly a raw fish exporter which supplies about 55 per cent of our catch to the EC for processing into finished products. Since we are not an EC member we will have to adapt to the future by becoming more efficient in delivering as sophisticated prodocts as we can under the conditions which prevail in the EC."

Karen Fossil

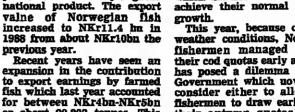
Industry package

Continued from previous page group, last year bought a 50 per cent stake in the second largest Australian explosives company, DuPont Wesfarmers. merged it with two Dyno companies in Australia, and changed its name to Dyno Westfarmers.

The acquisition made Dyno one of the world's leading explosives prodocers, alongside ICI of the UK, doubling its annual turnover to NKr5bn. It

also increased Dyno's annual production of ammonium nitrate, the basic raw material used to produce explosives, to

600,000 tonnes. Dynal, a joint venture unit of Dyno and the Norwegian Apothekenes Laboratorium (NAL), established Nihon Dynal KK, a new subsidiary, in Japan. It will develop Dynal's pharmaceutical products.



- A POWERHOUSE **IN NORWEGIAN INDUSTRY**

Electrical power and communications are the key words for operations at the EB Corporation. For more than a century, EB has spearheaded the development of hydropower resources and telecommunications in Norway. The corporation currently has companies in twenty countries, with production facilities in eleven of these, and international activities are expanding substantially. A. 4

EB Corporation is a member of the ABB Asea Brown Boveri Group. Within this group, EB has the international business responsibility for hydropower development, telecommunications, oil/offshore/marine deliveries and distribution transformers.

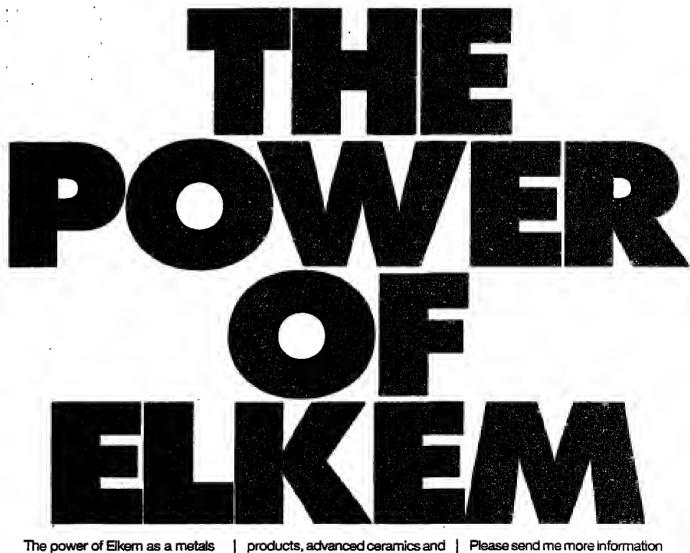
EB delivers a wide range of products to the markets for electrical power generation and distribution, telecommunications and information technology. These include hydropower generators, turbo generators, transformers, control- and monitoring systems, cables, rolling stock, telephone sets, satellite communications and radio link equipment as well as signal and safety systems. In addition EB conducts comprehensive engineering, consulting and electrical contracting operations.

. Key figures:

- Sales revenues (1988): NOK 10 100 million.
- About 25% of this generated outside Norway.
- 14 500 employees.
- Approx. 100 operating locations in Norway. - Subsidiaries in 20 countries.



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NORWAY'S rapid o11 productiou rise - an historic 1.53m barrels a day in March, according to producers, com-pared with about 1.25m bar-rels a day in 1988 - bas become an embarrassmeut.

In February 1987 Norway implemented a 7.5 per cent crude-oil production restraint policy, designed to assist Opec's efforts to stabilise world crude oil prices after

their collapse in 1986. Norway's policy is not for nothing, however; for petro-leum sector eernings, which doobled from 1980 to 1981, allowing foreign debt to be repaid, bad plunged into the red, forcing the country's trade balance to deteriorate from NKr25bn in 1985 to minus NKr41bn in 1986. The ecouomy had become hooked, and remedial measures were demanded to curb dependency on petroleum earnings.

More important, an integral part of foreign policy, with a goal of stability and predict-ability in the oil market, has been set. In January, In a speech to the World Economic Forum in Davos, Mrs Gro Har-lem Brundtland, the Frime Minister, called for a meeting of government leaders, to assess world resources, market perspectives, and the interplay of these issues with environ-ment and climate.

while the 7.5 per cent restraint measure remains the same. Oil In the Government's view, an open dialogue between oil-producing and oil-consuming nations could do much to help production capacity by next year could reach an all-time daily high of 2m barrels. According to official figures from the Oil and Energy Min-istry, approved production so prop up and maintain oil prices at a stable level. stry, approved production so far this year averaged 1.44m barrels a day, though capacity is put at 1.55m barrels. While figures for the second half of 1989 have not yet been approved by ministry officials, capacity will hit more than 1.5m barrels day as two next

Norway's crude oil production restraint measures are "unilateral, flexible in form and limited in time", and are good for only as long as Opec does its part to support oil prices by adhering to its own production quotas.

GATWICK-SCANDINAVIA

NORWAY 6 Oil production continues to rise rapidly, writes Karen Fossii

Goal of stability set However, Opec is concerned about Norway's future produc-tion prognosis, in that produc-tion continues to rise rapidly while the 75 m cent restrict

fields begin production. In October, Statoil's Vesle-frikk field is to come on stream at an initial rate of 30,000 barrels a day, while in December Statoil's Gulfaks C platform is slated to come into production at an initial rate of tween 10,000 and 20,000 bar-

rels a day. By next year, "official" fig-ures put crude oil production capacity at more than 1.7m barrels a day, climbing to exceed 1.75m barrels a day in 1001 7m barrels a day in 1991. Two new fields, Amoco's Hod and British Petroleum's Gyda, will come ou stream during 1990. Although platean oil produc-

tion is forecast to he short-lived, it does represent a medinm-term dilemma for Norway's energy policy-mak-

ers. The country's resource growth in recent years, how-ever, has been moderate with regard to oil, but strong with regard to gas. Gas production

was forced to step down in the autumn of 1987, over a hilliondollar scandal surrounding the Mongstad oil-refinery and terminal-expansion project. Grossly under-estimated tech-nical demands led to one of Norway's largest industrial

of the Mongstad budget over-

has been low, but Norway is set to become mainly a gas-producing nation. Thus oil production will rise only in the short to medium term, unless major oil discoveries Talks between Norway and are mada. However, this is likely to be of little consolation and may provide little incentive for Opec's struggle to carb domestic production as it tries to influence worldwide

output. Norway's biggest task is to secure new market outlets for natural gas resources, while expanding existing markets. Sights have been turned to capturing market-share for natural gas in the US and regaining market-share in the UK, while increasing deliveries to continental Europe.

Last year Norway signed an agreement with Spain to sup-ply between 1.5bn cubic metres (bcm) and 2.1hcm of gas annually between 1996 and 2025, though transport details are still being worked ont.

And an agreement with Dutch ntility SEP was reached, for Norway to supply 2bcm of nat-ural gas annually between 1995 and 2015 to the Nether-

weden continue; and Mr Arne Oelen, Norway's Oil and Energy Minister, and Mrs Bir-gitta Dahl, his Swedish coungitta Dahi, ms Swedish coun-terpart, announced in March their intention to sign an agreement in principle by July. This would call for Nor-way to supply Sweden initially with 1hcm of natural gas annally in 1992 and 1993, increasing to 2.5bcm annually by the turn of the century. Sweden is seeking alterna. Sweden is seeking alterna-tive energy supplies to help it phase out nuclear energy hy 2010. Two of 12 Swedish nuclear plants are to be closed by 1995. It is estimated that the total Swedish market for natural gas will be some 5bcm annually. The Soviet Union and Denmark are competing

of revenue, as a safeguard against unpredictable oil-price fluctuations.

finctnations. The concept is not new. It was first floated in 1986 by Mr Hermod Skaanland, the cur-rent governor of the central bank, who suggested that a percentage of oil earnings be put into savings. However, the idea foundered on regional politicians' schemes to lay politicians' schemes to lay claim to fund proceeds long before the fund was formally propo

In the current minority Labour government's long-term programme for 1990-1993, a commitment has been made to the establish-ment of an oil fund consisting of revenue from oil taxation, government earnings from direct stakes in producing fields, dividend payments from Statoll, and from interest earned on fund deposits placed in the central bank.

For example, in 1989 the state is forecast to earn just NKr5.5bn in revenue from producing fields in which it first half of the 1990s.

with Norway to supply Swe has direct stakes and from den. As part of an adjustment perroleum taxation. If the fund plan for dwindling petroleum currently existed, it would act earnings, Norway hopes to establish an "oll buffer fund" in which to channel a portion of revenue, as a safeguard petroleula taration. If the fund currently existed, it would act as a buffer during this low-earnings period. Last year Norway sold 51.8m tonnes of crude oil, compared with 39.7m tonnes in 1986,

FINANCIAL TIMES MONDAY MAY 8 1989

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with 39.7m tonnes in 1986, 33.8m in 1984 and 22.9m in 1982. Sales of natural gas hit 27.7bcn in 1988. 25.6bcm in 1986, 26.2bcm in 1984 and 24.4bcm in 1982. A sense of sobriety was instilled into the Government lost August when the Norm

last August, when the Norwe-gian Petroleum Directorate (NPD), watchdog over the oll sector and adviser to the Min-istry of Oil and Energy, Issued istry of Oil and Energy, issued hy far its most pessimistic prognosis for Norway's future oil producing prospects. In its Perspective Analysis, pub-lished annually and used for planning, a reduction in expec-tations was called for.

The report warned of declining prospects for new oll dis-coveries, uncertainty over hydrocarbon prices (Norway is one of the most expensive areas in the world from which to produce oil, limited poten-tial for gas sales, and limited scope to maintain investment activity in the sector after the

way, to secure access to lower-cost hydrocarbons - although Statoil observers expect a retrenchment from China to allow foreign resource commit-ments to be concentrated on the US and UK markets. In the US, Statoil is seeking to capture a large chunk of the natu-

On the oil side, long-term US contracts are a priority. On the development side, the com-pany's three-fold strategy includes: improvements to the economics of existing development projects; deferment of some projects; and acquisitions in existing oil fields, particu-larly in Britain.

"It is important for us to become more cost-efficient, so that we can obtained our resources into areas of priority," Mr Norvik believes. "Although I am satisfied with the development within Statoil to improve our competivity and organisation, I still believe we have more steps to take to improve this level... One should never be satisfied with a result which has been

In 1968, exploration and pro-duction showed an operating profit of NKr4.73bn, after financing costs of NKr3.26bn, Crude oil access increased to 198m barrels, from 173m barrels the

Mr Norvik's vision for Statoil

has subsided, allowing a new sense of reality to emerge. In ral-gas market.

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achieved, but rather with the direction in which one is mov-. --- 1

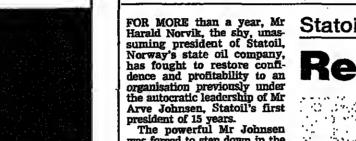
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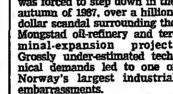
In 1992 has the state oil comoperating ths

Statoil, the state company, is making a recovery **Rebuilding confidence**

prices since the early 1970s. Equally distorbing was Nor-way's failure to replace reduced oil reserves with new discoveries, in what could mark a new trend since production commenced from the prolific Ekofisk oil and gas field in 1971. The axe fell when Statoil

was in the middle of several major investment commitments to oil projects under development. The cocktail of events sent the state oil com-pany's equity-to-debt ratio reel-ing to a level of between 10 and 12 per cent - the lowest in its history. This, in turn, provoked fear, panic and suspicion among Norway's politicians. Morale among employees fell. Mistrust grew among Stat-oil's creditors, meanwhile, who had previously been burnt by the Government's refusal to provide unequivocal financial backing to state-owned compa-nies in difficulties. Panic in the Storting (Nor-Panic in the Storting (Nor-way's Parliament) provoked a wide-range of political propos-als - from privatisation to par-tial dismantling and sell-off. Mr Norvik's task was daunt-ing. But he did not hesitate, as his first response, to reorganise the ailing Statoil into three main divisions: "This reorgani-sation was the first step in making [Statoil] more connectimaking [Statol] more competi-tive and market-responsive," he explained. His second response was to press ahead with diversifica-tion into petrochemicals, at a time when margins were stag-ing a strong revival. By linking





Norway's largest industrial embarrassments. For years Mr Johnsen and Mr Willy Olsen, head of infor-mation and right-hand man, had systematically built up influence over Norway's most powerful politicians, only to be spurned when the depth of the troubles at Mongstad emerged. Revelations of the cover-up of the Mongstad budget over-

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Harald Norvik: daunting task

up with US-based Himont, the subsidiary of Italy's Ferruzzi-Montedison, Statoil will form part of a NKr3hn joint-venture Belgium-based propyiene poly-propylene project; which intends initially to produce

150,000 tonnes a year. Tentative plans call for capacity to be doubled at a later stage. Approval was not without much consternation. from Statoil's owners who, only recently, gave their agreemen

"Petrochemicals will become more and more important to

At the end of 1988, Statoil

sense of reality to emerge in March the opposition Conser-vative party falled to get a majority backing for its pro-posal gradually to semi-privat-ise the company. However, Mr Norvik's priority wish for greater commercial freedom was granted by the Storting, which abolished an earlier requirement that all

large commercial projects receive its stamp of approval. His second wish, to have con-verted to fresh equity between NKr2bn and NKr3bn in state loans, has been formally pro-posed for Storting approval. In addition, his company's owners have agreed to relax dividend levels, which will now

hinge on annual results. Mr Norvik hopes to make a divi-dend payment for 1989 after a two-year absence. In upstream activities, close liaisons, alliances and partner-ships are planned with oil companies outside Norway. For instance, Mr Norvik is keen to

firm up a relationship with British Petroleum, with which Statoil formed a coalition for the UK 11th Licensing Round. Though realignment of international projects is now under way; the UK is Statoil's first

priority. Domsstically, Mr Nervik believes Statoil will maintain Statfjord field, after reaching a comprise unitisation agreeits oil reserve-to-production; its oni reserve-to-production ratio until the end of the cen-tury, through a significant exploration potential in deep Jurassic (geological horizon) formations in the sonthern part of the Norwegian North ment with UK owners; a buoyant Scandinavian gas market, in which Norway is the main supplier of natural gas; and production in Haltenbanken

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1.6m barrels a day as two new

run toppied the team, although Mr Olsen stayed on, as the events coincided with the worst plunge in world crude oil

company's bealth was to launch a NKr2hn cost-cutting programme, which he believes could translate into reductions of NKr11.5bn by influencing decisions taken before his arrival, and through major redundancies.

Initially, a 650-strong consultative workforce was cut by 200, though next month major staff cuts and re-prioritising of international activities and areas of concentration are expected to be announced. An ad hoc working gronp was formed, to identify and imple-

ment a belt-tightening mea-

Political panic over Statoil's troubles has ... employed a staff of 11,167 and

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Statoil and will play a large role in our international expansion strategy," said Mr Norvik recently. "I think that it is a scoop for Statoil to be part of the Belgium project, and I see even greater possibilities in future and new investments in the years to come, as we study the scope for expansion into new product lines."

subsided

In 1988 petrochemicals saw an operating profit of NKr1.30hn, which translated into net profits of NKr1.23bn. This year Statoil will introduce some new technologies and expand petrochemical production capacity in existing plants

in Norway and Sweden. Altbough Mr Norvik may not expect the present buoyant market to be sustained at cur-rent levels in the long term, he believes that petrochemicals activities will continue to be sound and profitable, due to Statoil's unique access to raw materials and feedstocks from future surplus refinery futnre surplns refinery

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was Norway's second largest company (behind Norsk Hydro, the largest publicly qnoted company). It is vital for Statoil's future development that it come to grips with its limited history of operations in an eraof high oil prices and rapid organisational growth. Mr Norvik says he is will

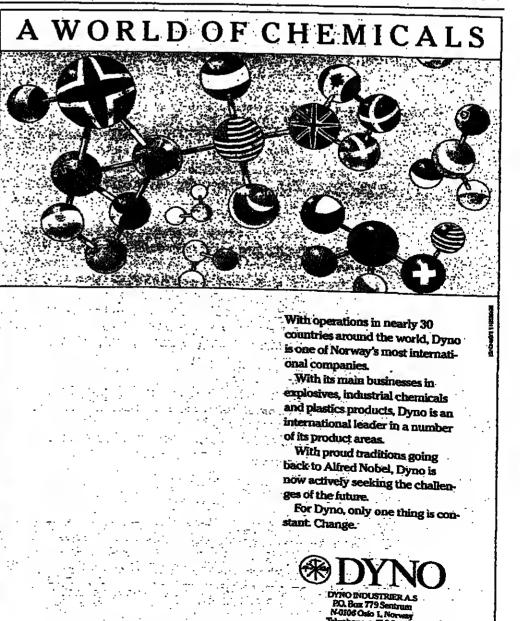
introduce a more systematic approach to career-planning, job-rotation and training as part of a multi-pronged programme he has designed to strengthen competivity. He says his targets are ambitious, but necessary if he is to succeed.

In recent months, political panic ovsr Statoil's troubles

and the Barents Sea. and the Barents Sea. By this time, the company's long-term outlook will have been strengthened through a significant exploration and pro-duction portfolio outside Nor-way. And a strong position in ...the downstream sector and pet-rochemical industries will have been achieved, along with strength as an oil trader. In other areas, off mid-Nor-way, he sees potential in deep waters west of the so-called Halten banken province. Despite the frustrations of fail-ing to find new oil in the Bar-ents Sea, he believes the poten.

tial of the area should not be downgraded. strength as an oil trader. Long-term exploration includes footbolds outside Nor-

Karen Fossil



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